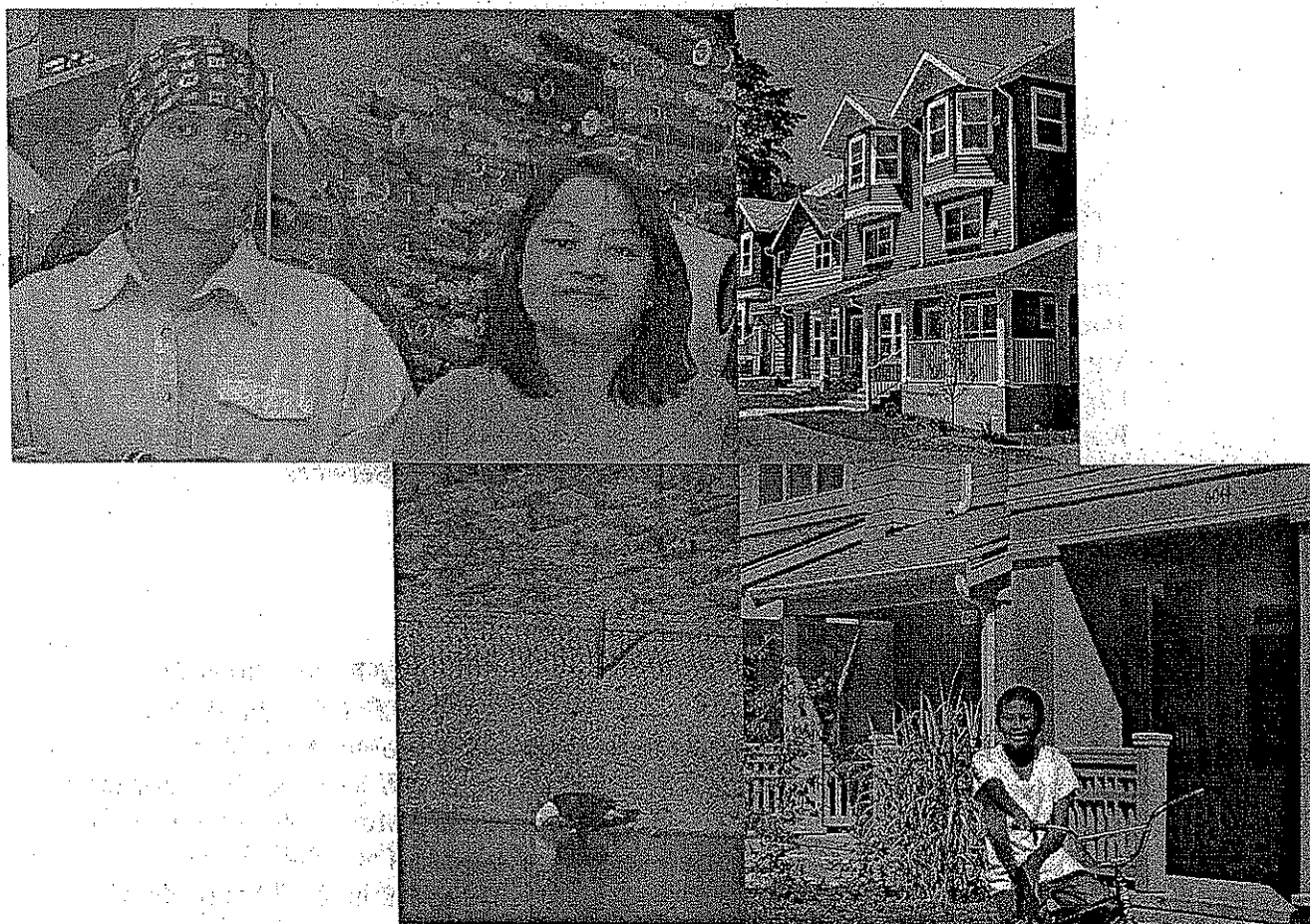


SEATTLE HOUSING AUTHORITY

MOVING TO NEW WAYS DEMONSTRATION PROGRAM FISCAL YEAR 2005 ANNUAL REPORT



DECEMBER 19, 2005

SEATTLE HOUSING AUTHORITY

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Cover photos, clockwise from top left: Barka Mohamed, Yesler Terrace resident and Nordstrom tailor's apprentice and Siep Tho, High Point resident and apprenticeship graduate; new rental housing at Rainier Vista; a bald eagle drinks from the High Point pond; Lenny Cheth in front of his new High Point home.

TABLE OF CONTENTS

	<u>Page</u>
Executive Summary.....	1
Section I: Households Served.....	12
Section II: Occupancy and Admissions Policies.....	14
Section III: Changes in Housing Stock	23
Section IV: Sources and Amounts of Funding.....	25
Section V: Uses of Funds	27
Section VI: Capital Planning.....	41
Section VII: Owned and Managed Units	45
Section VIII: Administration of Leased Housing	47
Section IX: Resident Programs	49
Section X: Other Information Required by HUD	57
Appendix A: FY 2004 Audited Comprehensive Annual Financial Report	
Appendix B: Households and Applicant Demographics	
Appendix C: Amended Public Housing Rent Policy (Resolution 4785)	
Appendix D: Amended Housing Choice Voucher Rent and Occupancy Policies (Resolution 4784)	
Appendix E: Consolidated Financial Statements	
Appendix F: Capital Activities	
Appendix G: Vacancy by Community	
Appendix H: Affirmative Fair Marketing Policy and Report	
Appendix I: SHA's Five-Year Strategic Plan	
Appendix J: Recommendations from Human Services Funding Strategic Plan Study	

FISCAL YEAR 2005 MOVING TO NEW WAYS REPORT

SEATTLE HOUSING AUTHORITY

EXECUTIVE SUMMARY

What is Moving To new Ways?

The Seattle Housing Authority (SHA) is one of about 30 housing authorities across the country participating in the U.S. Department of Housing and Urban Development (HUD) "Moving To new Ways" (MTW) Demonstration.¹ This program allows SHA to test innovative methods to improve housing delivery and better meet local needs. As an MTW agency, SHA may implement alternatives to national regulations for issues spelled out in an agreement signed by SHA and HUD in 1999. FY 2005 is the sixth year of MTW.

Each July, SHA adopts an annual plan that highlights MTW initiatives and other activities planned for the following fiscal year.² Each December, SHA prepares an annual report describing the previous year's accomplishments.

What is in this report?

This report compares FY 2005 activities and performance to that anticipated in the FY 2005 Annual Plan. The report follows an outline established in the MTW agreement which mirrors the Annual Plan:

Section I: Households Served documents the number and characteristics of households in

¹ Because HUD's name for the demonstration, "Moving To Work," sounded like a jobs program for SHA residents, the demonstration has been renamed, "Moving To new Ways," to keep the acronym and avoid confusion over the program's purpose.

² The MTW annual plan takes the place of annual plans required of non-MTW housing authorities. SHA's fiscal year runs from October 1 through September 30.

SHA housing programs and on wait lists for housing assistance.

Section II: Occupancy Policies reports the status of MTW and other policy initiatives.

Section III: Changes in Housing Stock records how and why SHA housing resources have changed compared to projections in the FY 2005 Plan and since MTW began.

Section IV: Sources and Amounts of Funding compares the FY 2005 budget with actual revenues and explains variances.

Section V: Uses of Funds compares the FY 2005 budget with actual expenditures, explains variances and describes revitalization activities at NewHolly, Rainier Vista and High Point.

Section VI: Capital Planning lists capital, disposition, demolition and homeownership activities in FY 2005.

Section VII: Owned and Managed Units covers required performance indicators for public housing: vacancy rates, rent collection, work orders and inspections; and discusses public safety in SHA communities.

Section VIII: Administration of Leased Housing addresses performance indicators for the Housing Choice Voucher Program (Section 8): utilization rate, rent reasonableness, expanding housing opportunities, inspections, and deconcentration of low-income families.

Section IX: Resident Programs describes community and supportive services.

A copy of SHA's Audited Comprehensive Annual Financial Report for FY 2004 can be found in Appendix A.

Not all of SHA's activities and programs are part of MTW although they may benefit from some of the changes SHA is able to make because of MTW. Redevelopment of NewHolly, Rainier Vista and High Point, special purpose Housing Choice Vouchers, and locally-funded housing programs, such as the Seattle Senior Housing Program (SSHP) are not specifically covered in MTW. In the

interest of completeness, information on these programs is also provided.

Outcomes from Moving To new Ways priorities

The table below lists areas for innovation included in the MTW Agreement and reports on their current status.

MTW Agreement areas for innovation	Status at the close of FY 2005
Create new public housing rent policy to foster resident self-sufficiency and reduce administrative burden and intrusion into residents' privacy.	SHA approved an MTW rent policy in June 2000. After extensive evaluation, including a telephone survey of 200+ residents, and public input, the SHA Board adopted significant amendments to the MTW rent policy in FY 2005, with implementation to begin October 1, 2005 (Resolution 4785). The policy revisions are largely in keeping with original goals, but emphasize effective self-sufficiency incentives and eliminate ineffective ones (Section II and Appendix C).
Create site-based wait lists (applicant choice policy).	The SHA Board and HUD approved the "applicant choice policy" in 2000. In FY 2005, SHA established site-based wait lists for Rainier Vista and High Point (Resolution 4760, November 2004) and an affirmative fair marketing policy and protocol (Section II and Appendix H).
Designate one or more public housing highrise buildings for seniors.	In FY 2005, HUD approved renewal of SHA's Designation Plan, which designates two buildings: Westwood Heights (2000) and Ballard House (2004).
Create mandatory self-sufficiency program participation requirements for residents who are employable but not currently employed.	Self-sufficiency requirements remain in place at NewHolly and Rainier Vista. A new lease for High Point was created in FY 2005. Requirements include an employment assessment for each family and a self-sufficiency plan for each household member over 17 years old. SHA also implemented the HUD Community Service Requirement.
Create a new lease and community rules based on proven private management models.	NewHolly and Rainier Vista leases are based on private management models, emphasize curb appeal, and require residents to pay their own utilities. A lease for High Point was created in FY 2005 that supports community revitalization and incorporates private sector practices to assure investors that the communities will be well managed.
Operate Family Self-Sufficiency (FSS) to meet locally-defined needs.	An FY 2004 program review identified administrative improvements to free up case management resources. Based on the program review, in FY 2005 SHA implemented an updated FSS Action Plan, convened a new Program Coordinating Committee, hired a case manager for public housing FSS participants and strengthened financial management to use staff more effectively.
Create Jobs and Resource Centers in large SHA family public housing communities.	Grant funding has enabled SHA to create job centers at NewHolly, Rainier Vista, High Point, Lake City and Yesler Terrace. SHA's support for resident employment is described in Section IX.

MTW Agreement areas for innovation	Status at the close of FY 2005
Deploy a cost benefit approach for resource conservation in lieu of the HUD-required energy audits every five years.	An MTW resource conservation protocol was finalized and implemented in FY 2003. See Section V for FY 2005 resource conservation activities.
SHA may enter into contracts with any related nonprofit.	No action was taken on this in FY 2005.
Purchase properties without prior HUD approval as long as HUD site selection criteria are met.	In FY 2004, SHA developed a checklist for property purchases including replacement of scattered site units that will be sold. In FY 2005, SHA purchased five properties as scattered site replacement housing without prior HUD approval.
Establish reasonable, modest design guidelines, unit size guidelines and unit amenity guidelines for development and redevelopment activities.	Such guidelines have been established as part of each HOPE VI revitalization plan.
Implement "conditional leasing" in public housing to allow applicants who do not meet SHA's suitability criteria to demonstrate that they would be good tenants.	SHA is no longer considering this idea. The project-based Housing Choice Voucher program and admissions preference and suitability criteria changes are intended to address this issue.
Create a local admissions preference for applicants enrolled in City jobs programs for voluntary time limited housing assistance.	SHA and the City are no longer considering this idea. The City's program has evolved to serve clients whose housing needs are not acute.
Partner with the City of Seattle to share responsibilities and resources for a new integrated Family Self-Sufficiency program.	SHA is no longer considering such a partnership.
Use SHA's own form of construction contract rather than the HUD prescribed form.	SHA has exercised this flexibility for the last several years. The SHA construction contract retains HUD requirements. It also provides more protection for the housing authority, for example, by specifying alternative dispute resolution methods that reduce risk and cost.
SHA's commitment to HUD	
At least 75 percent of the families assisted by SHA must have incomes below 50 percent of the area median.	Ninety-eight percent of households receiving SHA housing assistance have incomes less than 50 percent of the area median.
Assist substantially the same number of households and maintain a comparable mix of families (by family size).	In 1998 (pre-MTW) SHA assisted 10,560 households. In FY 2005, SHA assisted 11,861 households. See Appendix B for information on family size.

Outcomes of other activities from the FY 2005 Plan

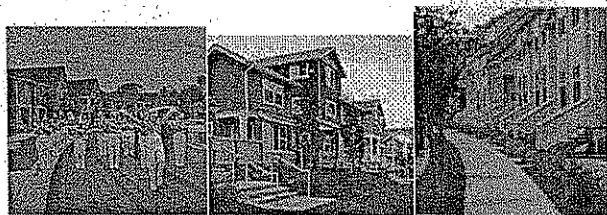
The FY 2005 Annual Plan spelled out major priorities for the year, in addition to the MTW activities listed above. Here is what happened in regard to those priorities.

Meeting Seattle's housing needs

Community revitalization

Continue revitalization of NewHolly, Rainier Vista and High Point:

- All NewHolly Othello Station rental units were leased by May 31, 2005.
- New units at Rainier Vista included 184 affordable rental units and 78 units of senior housing at Providence Health System's Gamelin House.
- At High Point, 95 affordable rental units were complete by year end.



From left to right: Chief Seattle High School Band parading through High Point at the grand opening; new rental housing at Rainier Vista and Othello Station.

Carry out a capital program involving bond-financed projects to renovate 17 or more public housing highrises, including comprehensive rehabilitation of building systems and common areas.

- Several milestones were achieved in this program, now named homeWorks:
 - The scope was expanded to include as many as 25 highrises in three phases over the next several years;
 - A program manager was hired, and an architect for all three phases and a General

Contractor/Construction Manager for Phase 1 were selected; and

- Initial proposals for tax credit investment in Phase 1 were received.

Continue reconfiguration of the scattered sites portfolio through disposition and acquisition of replacement units.

- By year end, SHA had sold 64 of the first 71 units identified for sale, bought 40 replacements units and identified another 125 for sale in FY 2006 and FY 2007. At year end, SHA was working with HUD on disposition of 79 of these 125 units.

Begin planning for the redevelopment of Yesler Terrace.

- SHA and the Yesler Terrace Community Council began discussions about involving the community when planning starts.

Work with the Seattle Parks and Recreation Department to complete construction of the new Yesler Community Center.

- The new Community Center opened as planned in February 2005.

Look for nearby replacement sites for Holly Court, so that this poorly-designed and -constructed public housing community may one day be redeveloped.

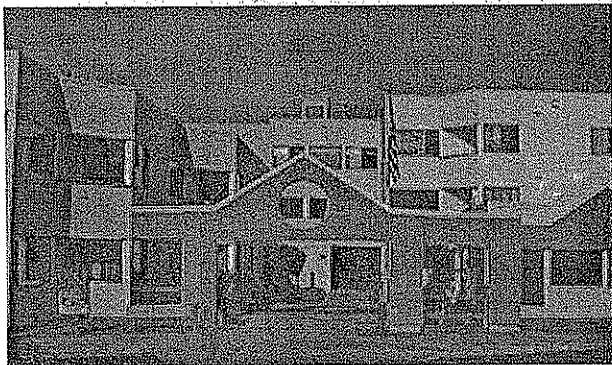
- SHA is still investigating a variety of options to replace Holly Court.

Continue to meet off-site replacement housing obligations for Rainier Vista (15 units) and scattered sites (as many units as are sold).

- Rainier Vista replacement housing commitments have been met with 17 additional replacement units in Genesee House.
- Scattered sites purchased: By year end, 40 replacement scattered site units had been purchased in five properties. Nine one-bedroom units purchased with the 2+ bedroom replacement units will be operated as public housing and may be counted toward a future replacement housing obligation.

Plan for: improvements in marketability, security and building systems at Jefferson Terrace; redesign of the first floor and entry plaza of Bell Tower; possible expansion of Leschi House; and redevelopment of the Lake City Village site and adjacent property.

- Jefferson Terrace: This planning effort will be undertaken in FY 2006.
- Bell Tower: Structural studies show that the front and back plazas could be built out safely. SHA is evaluating the financial feasibility of making these changes.
- Leschi House: An architectural study demonstrated that several more units could be built at Leschi House given the current zoning and development standards. SHA is assessing how to finance such an expansion and negotiating with a neighboring property owner over shared parking on Leschi House property.



Leschi House

- Lake City Village: An architect was hired and some preliminary design work done on the redevelopment of the Lake City Village site. SHA is negotiating for the acquisition of an adjacent redevelopable parcel to increase development capacity and improve site design.

Meeting applicant and resident needs

Apply for Housing Choice Vouchers at every opportunity.

- SHA received 448 vouchers requested in FY 2004.

Building on the successful lease-up of Tri-Court, add a second smoke-free building to provide neighborhood choice. Coordinate with the public housing highrise renovation program.

- A second building has not yet been selected, but may be in FY 2006 or FY 2007 as part of homeWorks.

Address long-term financial sustainability of community and supportive services.

- The Human Services Funding Strategic Plan was completed. See Section IX and Appendix J for more information.

Expand the successful mental health crisis intervention and case management program in the public housing highrises.

- SHA was able to increase case management staffing from 11 to 13 FTE. As a result, the number of residents served, presence of case managers in the buildings, and evictions prevented all increased.

Continue to strengthen programs that give SHA residents access to computers and the Internet including the Yesler Computer Lab, the STAR Center, and the computer labs at High Point and NewHolly, in partnership with other agencies.

- SHA obtained a \$300,000 three-year HUD Neighborhood Networks grant for the STAR Center.

Maintain the highest possible level of employment services for SHA residents and Housing Choice Voucher participants.

- In FY 2005, SHA was able to keep all five Job Connection offices open. The Job Connection helped 150 people find jobs.

Implement the Community Service Requirement per QHWRA.

- This requirement was implemented as anticipated (see Section II).

Organizational improvements

Continue implementation of Protégé@work, a document imaging project to improve productivity and streamline administration.

- The Protégé@work pilot in Section 8 Mod Rehab was conducted as planned, yielding dramatic productivity and efficiency gains (see Section V).

Improve communication with a wide variety of stakeholders including residents, other government agencies, the media and the general public.

- In December, SHA began publishing a second e-mail newsletter, the bi-monthly *PorchLight Insider*, complementing its general monthly e-newsletter, *Building Community*. *PorchLight Insider*, with about 600 subscribers, helps case managers and social service agency staff match clients with the most appropriate housing options for their circumstances. The publication describes new policies or emerging issues affecting applicants and program participants. It also has several standard features such as the shortest waiting lists and contact information.



- *Building Community* subscribers have grown to over 1,500. *Building Community* continues to provide news and information of general interest to SHA stakeholders.

Develop a system that allocates overhead costs to different housing programs to more closely match the benefit of each service to each program.

- To prepare for compliance with the asset management part of HUD's Public Housing Operating Fund Rule, SHA developed a per-unit management fee schedule to cover central office costs. This will allow SHA to demonstrate

conversion to asset management as defined by HUD by October 2006.

- SHA also developed rates for Information Technology services based on customer usage that will allow a more accurate assignment of costs compared to an overhead allocation system.

Develop new performance indicators in the Housing Choice Voucher program.

- At the close of the fiscal year, a new utilization monitoring and projection model was being tested. The model allows SHA to fine-tune the number of vouchers issued each month to ensure the highest possible voucher utilization within budget authority.

Continue to clarify and update the Policy and Procedures Manual and the Section 8 Administrative Plan as needed.

- Major changes were made to the rent and occupancy policies for both public housing and the Housing Choice Voucher program. These are described in Section II and Appendices C and D. Several sections of the Policy and Procedures Manual were updated (see Section II).

SHA activities in the community

SHA continues to make concerted efforts to participate in citywide housing and economic development forums, to make sure that the community as a whole benefits from MTW flexibility, SHA's housing resources are appropriately placed in the affordable housing continuum and SHA residents have access to self-sufficiency resources throughout the region. Activities include:

- SHA is well represented on the Committee to End Homelessness and its various subcommittees by the Executive Director, Communications Director and Asset Management Coordinator.

- The Executive Director serves on the Board of the Workforce Development Council (WDC) of Seattle-King County. The WDC provides training and development systems to promote economic opportunity for residents and assure a viable workforce for area businesses. SHA staff are also on the WDC Youth Committee.
- The Deputy Executive Director for Development serves on the Boards of the Urban Land Institute Seattle Executive Committee, Common Ground and the Housing Development Consortium. He is also on the University of Washington Department of Urban Planning Professionals Council.
- The Deputy Director for Finance and Administration serves on the Seattle/South King County Habitat for Humanity Board and is an honorary Board Member of the Rainier Vista Boys and Girls Club.
- The Housing Finance Manager participates in the City of Seattle Credit Committee to review proposals for project-basing Housing Choice Vouchers and replacement housing capital funds for HOPE VI replacement housing.
- The Communications Director represents SHA on the Governing Board of the Seattle City Club, which sponsors public forums on civic issues, and serves as City Club's expert on housing and homelessness issues.
- Several SHA senior staff participate in the City of Seattle Consolidated Plan Interdepartmental Team.
- The Asset Management Coordinator represents SHA on the Harborview Medical Center Master Plan Citizen Advisory Committee. Harborview, the region's trauma center, sits between Yesler Terrace and Jefferson Terrace and is undergoing a major expansion that affects the surrounding community.
- SHA staff participate on the Seattle-King County Employment Council, whose focus is to find ways for displaced workers, immigrants or refugees and people with little or no work experience to be trained for living wage jobs.
- SHA Community Builders are active in neighborhood planning and civic groups including: West Seattle Gathering of Neighbors, Coalition of West Seattle Human Service Providers, South East and Delridge District Councils, Coalition to Undo Racism Everywhere, Project Advisory Team for the Van Asselt Community Center, and the Othello Neighborhood Association.

Other activities of note

Severe Weather Shelter at Yesler Terrace:

For the FY 2005 winter season, SHA worked with the City of Seattle and the Salvation Army to use the old Yesler Community Center as a severe weather shelter. The severe weather shelter offers a warm, dry place to sleep when the weather approaches or dips below 32° F.

The Yesler shelter provided 2,732 bed-nights for five months (52 nights), for an average of 53 people per night. Al Poole, Manager of the City's Survival Services Unit, in thanking the Yesler Terrace community and SHA, noted, "There is no doubt that your efforts helped save lives in our community this past year."

Five-Year Strategic Plan: SHA staff at all levels contributed to the creation of a five-year strategic plan, *Remaining Committed in Times of Change*. This plan articulates ways in which SHA can maintain its significant housing stock for extremely low income households in the face of long-term trends of declining federal resources. The strategic plan was adopted by the Board of Commissioners and can be found in Appendix I.

MTW Audit: As part of an FY 2004 audit of HUD's management of the MTW demonstration, the HUD Inspector General audited SHA's MTW program and found two areas of concern. By year end, SHA and HUD had resolved one of those areas: SHA's implementation of its applicant choice policy affirmative fair marketing provisions (see Appendix H). A resolution for the second finding, concerning SHA's project-basing of Housing Choice Vouchers, is still being developed.

Response to survivors of Gulf Coast

Hurricanes: SHA has stepped up to provide housing for survivors of the Gulf Coast hurricanes who came to the Seattle area. While the response is ongoing, by the end of FY 2005, SHA had:

- amended admissions policies to authorize the Executive Director to implement procedures for a housing preference for disaster victims that supersedes other preferences;
- identified 60 units in the Affordable Housing portfolio that could be made available for temporary housing for hurricane survivors without skipping over anyone on a low-income housing wait list;
- became one of two organizations identified to provide intake and referral services for Katrina evacuees in search of interim housing; and
- stepped up as a leader in a regional coalition of local governments and nonprofit agencies working together to welcome these newcomers to Seattle and help them get back on their feet.

As of mid-November, SHA had leased units to 33 families from the Gulf Coast. SHA expects to be reimbursed for the rent on these apartments by FEMA through the State of Washington Department of Community, Trade and Economic Development.



A young volunteer sorts through new toys for Katrina survivors among donated items at a temporary collection and distribution site established by SHA staff in an old High Point unit.

Utility billing in mixed-income communities:

In FY 2005, SHA began assuming the work of billing NewHolly residents for their water use. This change will encourage resource conservation and address long-standing resident dissatisfaction with the accuracy and timeliness of bills from the private billing company. SHA will also bill residents of the redeveloped Rainier Vista and High Point. The transition involves fitting each unit's water submeter with equipment to transmit consumption information to a database from which bills can be produced. Seattle Public Utilities, the local water provider, has cooperated fully and regards this as a test for automated meter reading, which, if successful, may be applied elsewhere in the city.

SHA's performance in FY 2005

SHA reports to HUD on key performance indicators in the MTW Annual Report, in lieu of HUD's regular assessment systems. Further information can be found in Sections VII and VIII and Appendix G.

- The public housing vacancy rate was 1.83 percent compared to 2.87 percent in FY 2004.
- SHA responded to 97.6 percent of regular work order requests within 30 days and over 99.5 percent of emergency work orders within 24 hours.
- In another year of excellent performance, SHA collected 97.7 percent of public

housing rent due and other charges to tenants.

- SHA used approximately 99 percent of Housing Choice Voucher funding.

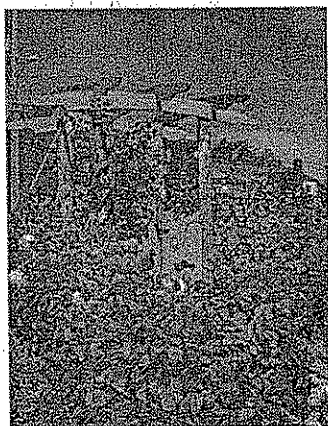
Special distinctions

Awards and Recognition

- The Federal Office of Budget and Finance has recognized The Job Connection for a second year as a "best practice" organization for promoting federal income tax filing and the Earned Income Tax Credit to qualified wage earners.

High Point:

- In March, High Point won the City of Seattle's *Built Green Seattle* design competition in the Built Green Community category. SHA hopes to use the \$10,000 prize to create a sustainable car wash at High Point.



High Point Market Garden gate constructed from trees removed to rebuild the community.

- Word is spreading about High Point's innovative design. The plan was featured at the Urban Life 2005 Conference in Gothenburg, Sweden, which was attended by urban planners from over 50 countries.
- In May, SHA was awarded a \$96,000 EPA brownfields grant for a recently-purchased property at 12th Avenue and

Yesler Way adjacent to Yesler Terrace. The property is contaminated with dry cleaning chemicals and petrochemical products from a neighboring dry cleaner that closed in the 1980s. SHA will use the grant funds to help pay the costs of cleaning up the site.

Other distinctions include:

- For the eighth year in a row, SHA was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the U.S. and Canada for the fiscal year ending September 30, 2004.
- For the eighth year in a row, SHA received an annual audit report containing no financial findings.
- Audited Calendar Year 2004 financial statements for all of SHA's affiliated tax credit partnerships and HUD-assisted projects managed by SHA for other non-profits received clean opinions.

Partner recognition

Katharine's Place, a 25-unit apartment complex for low-income families, which includes five units of Holly Park replacement housing won a *Built Green Seattle* award in the multifamily housing category.

Opportunity Place, a 145-unit apartment in Belltown developed by the YWCA won a 2005 Vision 2020 Award from the Puget Sound Regional Council, as one of nine "superb examples of the innovative work being done to provide affordable housing, revitalize urban centers, provide infrastructure, and enhance the region's environment." Opportunity Place offers comprehensive services for homeless women and an employment and training center. SHA provides project-based vouchers to Opportunity Place.

SECTION I: HOUSEHOLDS SERVED

This section describes changes to the number and characteristics of households receiving housing assistance and on wait lists over the year. See Appendix B for more information.

Residents

Households and individuals served

In 1998, at the start of MTW, SHA served 10,560 households. By the end of FY 2005, this figure had increased to 11,681 households. SHA provides housing assistance to over 24,500 people.³

In FY 2005, SHA served 166 fewer households at the end of the year than at the beginning due to the sale of Market House to a low-income housing provider and attrition in Housing Choice Voucher use. Public housing saw a net increase of 140 households with the lease up of Othello Station.

In order to bring monthly spending in line with monthly budget authority, SHA had to stop issuing Housing Choice Vouchers early in FY 2004 and did not begin issuing vouchers again until September 2005. As a result, the tenant-based voucher program saw a decrease of 409 households and 1,100 individuals over the course of the year. In contrast, the project-based program saw an increase of 145 vouchers leased and 312 people served.

SSHP remained fully leased, housing eight more households and 16 more individuals at the end of the year as at the beginning.

Resident income levels

The average income of public housing residents increased from \$11,434 to \$12,054, a

³ SHA also houses about 800 households who are not included in the analysis or the reported totals here, because they do not need housing assistance or because SHA contracts out property management and does not have access to household demographics.

five percent increase after a couple of years of flat average incomes.

The average income of tenant-based voucher holders increased six percent from \$11,654 to \$12,367, the largest percentage increase in recent years. Although agency- and project-based program participants have significantly lower incomes, averaging \$11,712 and \$7,913 respectively – these averages represent a seven percent increase over last year's in both programs. Since few new vouchers were issued in FY 2005, these relatively high increases in average income may be a function of a higher proportion of participants who have been in the program for awhile and have had a chance to improve their economic situation.

Average income in SSHP was \$11,626, a two percent increase from FY 2004 and almost back up to the FY 2003 average.

Average income in Section 8 New Construction was \$9,878, a two percent increase.

Income distribution as a percent of median income

Among SHA's housing programs, 86 to 97 percent of households have incomes below 30 percent of the area median income. These proportions have varied only a percentage point or two annually since MTW began.

Racial distribution

Overall racial distribution of households is shown in the pie chart at the end of this section. These proportions have been similar for at least the last three years. Within programs, racial distribution of heads of households remained about the same as prior years.

Age groups and disability

The proportion of minors, non-elderly and elderly adults in public housing was 29, 53

and 18 percent respectively, similar to FY 2004. Public housing saw a four percent increase in total population, but an eight percent increase in the number of minors, due to the lease up of family units at Othello Station.

The number of disabled individuals in public housing was about the same as last year – 2,775. People with disabilities comprise 30 percent of public housing residents.

The age distribution of Housing Choice Voucher participants has been about the same for the last three years, even with large fluctuations in the total number of people (from 13,600 in FY 2003, to 14,000 in FY 2004, to 13,200 in FY 2005). The proportion of minors, non-elderly and elderly adults was 40, 50 and 10 percent respectively.

As in FY 2003 and FY 2004, about one-quarter of the individuals who benefit from Housing Choice Voucher have a disability.

The proportion of people under 62 in SSHP stayed about the same. Non-elderly adults made up 11 percent of SSHP residents at the close of FY 2005. The percent of people with disabilities in SSHP has declined slightly from 26 to 24 percent. The number of non-elderly disabled heads of household has decreased to 94, or about 10 percent of all households.⁴

Applicants

Number of applicants

As of September 30, 2005, 11,074 households with an active applicant status were on one or more wait lists for housing assistance, a 23 percent increase from the 8,546 households on the wait list at the beginning of the year. This large increase may be the result of

⁴ In FY 2002, SHA decided to adhere to the original program design of serving 90 percent elderly and 10 percent younger people with disabilities. Only applicants with a head of household 62 years old or older were admitted to SSHP in FY 2005.

changes SHA made to increase accessibility, e.g., on-line applications, as well as the timing of periodic wait list updates.

Income levels

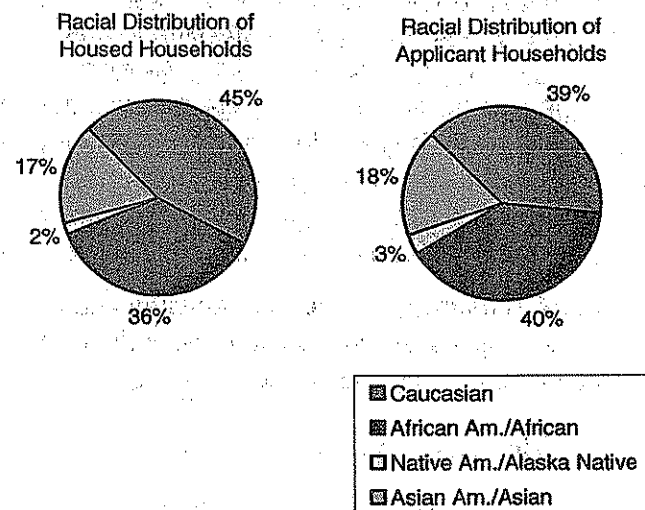
Income levels among applicants were essentially the same as last year (within one percent). By the end of FY 2005, 90 percent of applicants had incomes below 30 percent of area median income.

Elderly and disabled applicants

Among applicant households, 1,699 had a household member 62 years or older, and 1,418 had a household member with a disability. The proportion of households with an elderly or disabled family member is 15 and 13 percent respectively, down from 16 and 15 percent in FY 2004.

Racial distribution

The racial distribution among applicants to all SHA housing programs was within two percent of last year's in all racial categories (see pie chart below).



SECTION II: OCCUPANCY AND ADMISSIONS POLICIES

Policies governing eligibility, selection, admissions, assignment and occupancy

Tri-Court smoke-free policy (FY 2001)

In 2001, SHA designated Tri-Court, 87 units of public housing for elderly and disabled households, a smoke-free environment. FY 2005 was Tri-Court's first full year operating as a smoke-free community. Property managers report a high degree of acceptance of the no smoking rule among residents, no enforcement issues and lots of interest among applicants.

Public Housing Applicant Choice (FY 2001)

In June 2000, SHA adopted a public housing applicant choice policy with these goals:

- Offer public housing applicants the ability to choose where they would like to live;
- Maintain racial and ethnic diversity in public housing communities and avoid any conscious or inadvertent racial or ethnic steering;
- Resist concentrating the most disadvantaged applicants in the least desirable locations;
- Increase the efficiency of the admissions and tenant assignment functions; and
- Reduce unit turnover due to resident dissatisfaction with location.

The policy has been in place since 2001. Procedural changes have been made over the years to increase efficiency of leasing. No policy or procedural changes were made in FY 2005. Site-based wait lists for Rainier Vista and High Point were established.

Under applicant choice, all applicants may place themselves on up to two site-specific wait lists. Those who qualify for an admis-

sions preference may, instead, sign up for the Next Available Unit (NAU) wait list for the north or south half of the city. A subset of the Next Available Unit wait list permits expedited processing for applicants who are working with a partner services agency. The fifteen agencies currently involved in the program serve a wide range of household types and needs. Most provide transitional housing or other services for homeless families or individuals.

Agencies with expedited processing agreements

Serving primarily individuals:

Aloha Inn
Community Psychiatric Clinic
Compass Center
Jubilee Women's Center
Lifelong Aids Alliance
Rose of Lima House
Sojourner Place
William Booth Center

Serving primarily families:

Broadview Transitional Housing
First Place Schools
Fremont Public Association
Low Income Housing Institute
New Beginnings Transitional Housing Program
Salvation Army's Hickman House

Serving all:

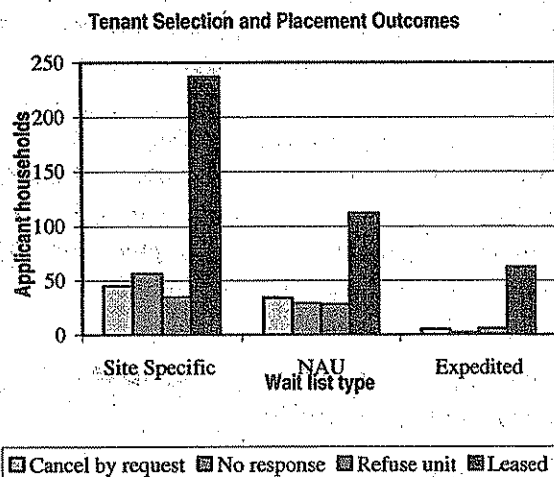
Church Council of Greater Seattle

Tenant Selection and Placement

SHA continued implementation of the on-line Tenant Selection and Placement (TSAP) system to ensure that applicants were pulled from wait lists in the correct order and to track outcomes.

Through the TSAP system, 651 applicants who rose to the top of their wait lists were contacted for leasing opportunities. Outcomes are summarized below.

Outcome	Site Specific	NAU	NAU-Expedited
Leased	64%	55%	83%
Cancel by request	12%	17%	7%
No response	15%	14%	3%
Refuse unit	9%	14%	8%
Total applicants	373	203	75



The NAU-expedited wait list is the most productive wait list with the highest lease rates and lowest rates of cancellations, no-shows and refusals. Clearly, a subgroup of applicants benefits from having case management assistance in getting through the leasing process. The site-specific wait lists are slightly more productive than the general next available unit wait list, with higher lease rates and lower refusal rates.

The TSAP system also records applicants' reasons for refusing units. The most frequent reasons have to do with building location. Of the 28 NAU households who refused a unit, 57 percent cited the building location. Almost one-third of 35 site-specific applicants who refused a unit also cited building location. This is a bit bewildering, in that people presumably know where the building is located when they sign up for it. The second most common refusal reasons have to do with unit size or amenities – most often people turn down units because of their small size or the number of bedrooms.

Affirmative Fair Marketing

SHA approved and implemented an Affirmative Fair Marketing policy and procedure in response to a HUD Inspector General audit finding regarding SHA's implementation of one provision of the applicant choice policy.

After reading SHA's applicant choice policy evaluations in prior year MTW reports, which included the racial distribution of heads of household by community, the HUD Inspector General Audit found four LIPH highrises that it considered racially identifiable. The audit faulted SHA for not tracking ethnicity, as the policy stated, to demonstrate that these communities are more diverse than the racial categories show.

In response, rather than tracking ethnicity, as the applicant choice policy originally intended, SHA has decided to conduct affirmative fair marketing of racially identifiable buildings. Racial distribution of heads of households in public housing highrises is monitored quarterly. If any buildings are found to be racially identifiable, affirmative fair marketing is conducted (see Appendix H).



PorchLight
Community services of
Seattle Housing Authority

907 N.W. Ballard Way,
Suite 200
Tuesday to Friday
9:30 a.m. – 4:30 p.m.
206-239-1737
www.seattlehousing.org

Beacon Tower
1311 S. Massachusetts St.



Apartments with sweeping territorial views, conveniently located near shopping and major bus lines

- One-bedroom units
- Private kitchens and baths
- On-site laundry
- Community room

APPLY NOW! Apply in person at PorchLight or online at www.seattlehousing.org. Call 206-239-1737 with questions or to request an application by mail. All Low-Income Public Housing properties maintain waiting lists.

Sample affirmative fair marketing advertisement

Local preferences (FY 2003)

The term, "local preferences" refers to criteria for selecting applicants from a housing authority's wait list. SHA's local preferences were adopted in FY 2003 (Resolution 4680):

- Households whose current income is at or below 30 percent of area median income;
- Applicants who are homeless; or
- Households who have been homeless or whose gross income has been at or below 30 percent of area median income at some point during the 12-month period prior to the eligibility determination.
- Several categories of applicants were given a specific preference: SHA live-in staff who leave, and applicants selected by non-profit operators of HOPE VI replacement housing units that receive public housing subsidy.

These preferences remained in effect throughout the year. In FY 2005, the policy was amended so that in the event of a declared disaster, the Executive Director is authorized to adopt and implement procedures that provide a housing preference for disaster victims that supersedes other preferences.

Public housing admissions policies and procedures

Suitability criteria

Applicants' suitability for public housing is measured by a system of suitability points. Using positive rental history, recent work history, professional and character references or on-going case management, applicants can demonstrate the ability to live independently in public housing. The point system provides access to groups of potentially good tenants who might not be able to document much in the way of rental history, such as young people aging out of foster care. The suitability criteria also include a clear delineation between acceptable and unacceptable criminal history.

In FY 2005, SHA added language allowing denial of an applicant based on clear and convincing evidence of current engagement in drug-related or violent criminal activity or attempts to defraud SHA without an arrest or conviction.

Automated monthly check-in system

To improve the viability of the wait list and reduce the number of non-responsive applicants, SHA made considerable progress toward implementing an automated monthly telephone check-in system. A pilot of the system in FY 2005 incorporated:

- an 800 number so that applicants can use a pay phone without charge;
- secure web access so that agencies can easily assist clients' check in;
- dedicated telephones in the PorchLight lobby and other SHA offices;
- reminders including wallet cards and postcards; and
- posters, notices and detailed instructions provided to agency partners.

Following the successful pilot, full roll-out of the system is anticipated in FY 2006. At that time the telephone check-in system will be available in six languages.



Monthly check-in logo

Designation of elderly/near-elderly communities

In FY 2005, HUD renewed SHA's designation plan which designates two public housing highrises – Westwood Heights in West Seattle and Ballard House in Seattle's north end – for elderly/near elderly.⁵

⁵ Elderly is defined as 62 years of age or older. Near elderly is 50 years of age or older.

Public housing occupancy standards

In FY 2005, SHA revised the public housing occupancy standard to two persons per bedroom, eliminating exceptions for marital status, gender and age. As in the prior policy, an adult head of household is not required to share a bedroom with a minor dependent. This change was made in order to open up more housing units to more families.

Public Housing Occupancy Standards		
Unit Size	Persons in Household	
	Minimum	Maximum
Studio	1	2
1 Bedroom	1	2
2 Bedrooms	2	4
3 Bedrooms	3	6
4 Bedrooms	4	8
5 Bedrooms	5	10

Community Service Requirement

In order to comply with HUD's Community Service Requirement, SHA has established policies and procedures and a Review Committee. This committee consists of a public housing resident and SHA staff from human resources, risk management, property management and community services and is responsible for:

- Settling CSR disputes between property management and residents;
- Approving all agreements between property management and residents to make up CSR hours;
- Addressing issues that may require modifications of CSR policy; and
- Surveying community groups and partner agencies to gauge the impact of the CSR on residents, communities and service providers.

SHA has paid approximately \$46,000 to develop and implement the program, which costs about \$50,000 per year to operate.

HUD does not provide extra funding to cover these costs.

Housing Choice Voucher tenant-based occupancy policies

Although the FY 2005 Annual Plan did not anticipate changes to the Housing Choice Voucher program occupancy policies, with over 2,500 families on the waiting list, SHA deemed it a priority to maximize its voucher utilization in order to assist more families.

In June 2005, the Board of Commissioners adopted Resolution 4784 that made a variety of changes to occupancy and rent policies. Occupancy policy changes are described here. Rent policy changes are described below under Statement of Rent Policy. The resolution can be found in Appendix D.

Throughout FY 2004 and the first part of FY 2005, SHA had been allowing voucher utilization to decline by attrition in order to keep spending within budget. In early FY 2005, with the budget again balanced, SHA looked at ways to reduce per voucher costs and increase voucher utilization. Staff estimated that if SHA could reduce overall program costs by about 10 percent or \$6.87 million, it could support an additional 760 households. To this end, SHA drafted a menu of proposals in accordance with the following goals:

- Meet budget goals in order to issue as many vouchers as possible;
- Continue to give preference to households below 30 percent of area median income;
- Keep families' housing costs at 30 percent of their income;
- Increase accountability for participants and owners;
- Increase fairness (equity) in allocation of subsidy and rules for participation;
- Modify administrative procedures to reduce operating costs; and

- Support self-sufficiency and increase consistency with private market practices.

After extensive public review, consisting of agency stakeholder meetings, landlord and tenant briefings, electronic and traditional communications, a written survey and a public hearing, the Board of Commissioners approved several policy changes for the Housing Choice Voucher program. Changes in occupancy standards include:

- *Minimum occupancy standards:* SHA established a minimum for the number of people per household that qualify for each voucher size. New households and those who move with continued assistance are subject to the new standards. The standards are within fair housing guidelines.
- Households do not qualify for subsidy for a larger unit when household size increases unless HQS occupancy standards are exceeded.
- Subsidy was eliminated for children away at college most of the year.

HCV Occupancy Standards

Voucher Size	Persons in Household	
	Minimum	Maximum
Studio	1	2
1 Bedroom	2	4
2 Bedrooms	3	6
3 Bedrooms	4	8
4 Bedrooms	6	10
5 Bedrooms	8	12
6 Bedrooms	10	14

Wait list closures

The Housing Choice Voucher and Bayview Tower wait lists remain closed.

Housing Choice Voucher project-basing policy (FY 2001)

In 2000, SHA adopted a policy for project-basing Housing Choice Vouchers replacing HUD regulations and procedures. It author-

izes the project-basing of up to 25 percent of SHA's Housing Choice Voucher assistance. In FY 2004, SHA extended project-based vouchers to the City of Seattle's low-income housing levy program.

During FY 2005, SHA focused on meeting its outstanding commitments for project-basing Housing Choice Vouchers.

By the end of FY 2005, SHA had commitments for 1,318 project-based units or 16 percent of voucher authority. Actual lease up of this many units may take several years, because some projects are in the planning stages. In the meantime, vouchers are used in the tenant-based program.

Under the policy, vouchers are project-based for several purposes:

- Competitive process with housing goals defined by SHA: two Request for Proposal rounds led to commitments to project-base 564 units in 22 projects. About 489 of these were leased at year end.
- Supporting City of Seattle low income housing initiatives: to date SHA has committed to project-base 473 units in 24 Levy- and Sound Families-funded projects, 104 of which were leased at year end.
- Special purposes, totaling 281 units. These are unique situations, decided on a case-by-case basis, in which project-basing can help preserve housing affordable to extremely low-income people. At year end, 220 vouchers were in use for these purposes.

In addition, SHA project-bases vouchers to replace demolished or sold public housing: current commitments, 510 units in 32 properties. Of these, 284 units were occupied at year end. Replacement units are not subject to the policy's 25 percent cap on project-based vouchers, because HUD provides vouchers specifically for this purpose.

Also in FY 2005, SHA requested from the City of Seattle, as the responsible entity, a determination that project-basing vouchers is categorically exempt from NEPA. This exemption was not granted. Exemptions continue to be requested on a project-by-project basis.

Section 8 homeownership (FY 2004)

No changes were made to this policy in FY 2005. SHA's policy uses MTW flexibility to allow Section 8 resources to be used for down payment assistance (see Section VI: homeownership activities).

Statement of Rent Policy

Public housing rent policy (FY 2001, amended FY 2005)

In 2000, SHA adopted a unique policy for calculating public housing rents under MTW. After several years of monitoring and evaluating the policy and extensive public review, in FY 2005, SHA adopted major amendments to the policy to build on the successful elements of the original policy and eliminate confusing and administratively burdensome provisions (Resolution 4785).

Revised rent policy goals include most of those established in the original rent policy:

- Remove disincentives and provide rewards for resident employment, job retention and wage progression;
- Preserve an economic safety net;
- Generate sufficient rent revenue to supplement federal subsidies; and
- Reduce unnecessary administrative procedures.

Several new goals were added:

- If people have good prospects for economic self-sufficiency the policy should

help them prepare for the conventional housing market;

- Create revenue for self-sufficiency support services and budget skill training;
- Remove incentives for manipulation and fraud; and
- Implement a policy that is equitable that staff and service providers can support in order to educate and motivate residents.

The new rent policy will be rolled out over the course of FY 2006 and can be found in its entirety in Appendix C. SHA will monitor the effects on resident self-sufficiency, revenue generation and administrative efficiency.

Strengthening employment incentives

Several years of evaluation, including a telephone survey of residents, demonstrated that setting aside a portion of rent in a "Tenant Trust Account" for residents to use for self-sufficiency purposes was the most motivating of the self-sufficiency incentives in the original rent policy.

The major self-sufficiency incentive in the original rent policy was a series of rent steps that limited the size and frequency of rent increases and protected some employment income from being included in the rent calculation. In contrast to the Tenant Trust Account, most residents who were eligible for the rent steps did not understand them or see them as a benefit. SHA found the steps difficult to administer, and they cost the agency a great deal in foregone rent revenue.

The amended rent policy eliminates the rent steps, while expanding the Tenant Trust Account to more people and increasing the maximum monthly amount that may be set aside. Under the policy, almost all employed residents will see their rent calculated at 30 percent of their adjusted income. A few will still benefit from a two-year rent step when 30 percent of their adjusted income reaches the market rent for their unit.

The amended rent policy also removes a punitive provision for households whose only source of income is TANF. The original policy calculated these households' rent at 25 percent of gross income. The revised policy eliminates this provision and calculates rent for such households at 30 percent of adjusted income, for several reasons:

- In the resident survey, TANF households reported that the way their rent was calculated had little, if any, effect on their decisions about employment.
- SHA's public housing serves relatively few TANF households – just over 150 for the last several years. Of these, only 40 or so have been on TANF exclusively for more than two years. This indicates that most SHA TANF households consider it temporary, and are either moving toward self-sufficiency or other long-term financial support if they are unable to work.
- Many property management staff, service providers and resident leaders felt that the TANF rent was unduly punitive for the majority of TANF households who are trying hard to work their way off TANF.
- Having a separate rent formula for so few households added a layer of complexity and expense that was not warranted, given its limited effectiveness.

Introducing mid-year rent adjustments

SHA has always lowered residents' rent when they report a decrease in income. The new rent policy requires residents to report increases in income between annual reviews. SHA will adjust rent higher if income increases are above \$100 per month. The policy includes a 90-day rent freeze at the pre-employment rent for newly-employed residents who promptly report their employment income. This will buffer the effect of increasing rent and give them some time with extra cash in hand to purchase clothes or equipment they need for work.

Continuing MTW rent policy provisions

For households on fixed incomes (e.g., social security), the frequency of recertification has been reduced to once every three years. In the intervening years, rents are increased proportionately to the social security cost of living adjustment. This is intended to reduce the administrative costs of these reviews and SHA's intrusion into residents' privacy.

All residents pay an absolute minimum rent per month unless they face a hardship in making such a payment. The minimum rent is to be adjusted each year based on an inflation factor.

Discussion

In developing these policy revisions, SHA had a fundamental choice. The agency could have elected to move further away from HUD regulations and typical housing authority practice of calculating rent as a proportion of income. Instead, SHA has chosen to calculate more residents' rent as a proportion of income ("Brooke rent"). Several reasons for this are worth noting:

- Overcoming the long history of HUD regulation, resident expectations of Brooke rents and years of housing authority practice is expensive and politically difficult.
 - There is a strongly- and widely-held belief among residents, service providers, community leaders and staff that charging residents rent based on their income is inherently the fairest way to maintain housing affordability. A wholesale departure from this approach toward, for example, flat rents by income bands as in the SSHP rent policy, would have been a hard sell.
 - When the policy changes were being formulated in FY 2005, SHA had to assume that MTW might expire at the end of FY 2006. Given the potentially short time frame for these policy changes,

radical changes did not seem warranted. With an extension of MTW, SHA might revisit this choice, depending on the results of the FY 2005 amendments.

- SHA's property management IT infrastructure is set up to implement HUD regulations and Brooke rents. While SHA invested a great deal of time and money to create an on-line Rent Calculation System to implement the MTW provisions and train staff to use it, the process remained error-prone even after several years.

One conclusion to be drawn from SHA's experience so far is that the opportunity to test new ideas under MTW is invaluable. It gives the industry a chance to see the real effects of theories about how policies influence residents' choices about employment and self-sufficiency. Another conclusion is that fundamental change takes time. Public housing has operated the same way for decades. MTW has allowed SHA to show what it takes to operate public housing differently, and in the process, has furthered understanding of the effectiveness of rent policies and housing authority practices in motivating residents to become self-sufficient.

Seattle Senior Housing Program rent policy (FY 2003)

The SSHP rent policy establishes a series of flat rents for people with incomes up to 80 percent of median and a sustainable distribution of rents (Resolution 4699). It also assumes 150 eligible SSHP residents will have tenant-based Housing Choice Vouchers.

Income group	Adopted Percent of Units	Actual FY 2005
< 20% AMI	31%	43%
20-30% AMI	36%	28%
Vouchers (<30% AMI)	15%	14%
30-40% AMI	14%	9%
40-80% AMI	4%	5%

SSHP continues to meet its financial goals for the year and the flat rent structure has not proven a barrier to access for most applicants.⁶ SSHP was closer to the sustainable distribution of incomes at the end of the year than at the beginning, except that only 139 vouchers were in use in the portfolio. Implementation is monitored by an advisory committee of residents and industry experts.

Housing Choice Voucher Program

Resolution 4784 also changed a number of rent policy provisions:

- Payment standards for one-, two-, and three-bedroom vouchers were lowered to 110 percent of FMR or less. The previous standards for these unit sizes fell between 113 and 117 percent of FMR.
- Participants are now required to report all increases in income. The tenant portion of rent will be adjusted upward when income increases more than \$100/month, and subsidy will be adjusted accordingly.

Several proposals in Resolution 4784 have not yet been implemented:

- SHA may begin to impute TANF income for apparently eligible families whose reported income is below the TANF grant, until the family documents ineligibility.
- SHA may eliminate imputing of TANF benefits for families sanctioned for non-compliance so that rent may be calculated based on income actually received. This provision uses MTW authority to disregard federal regulations requiring rent based on full TANF benefits for sanctioned families. However, due to continuing lack of clarity from HUD about SHA's ability to apply MTW policies to non-MTW vouchers, this provision has not been implemented.

⁶ Applicants who cannot afford the minimum rent are referred to public housing, including the senior designated buildings, Westwood Heights and Ballard House.

- SHA may require families to document eligibility for unemployment benefits when they request a rent decrease due to job loss.

Other Policy and Procedure Manual updates

In addition to rent and occupancy policies described elsewhere in this section, the following *Policy and Procedure Manual* sections were updated in FY 2005:

- Dwelling Lease: revised lease term to one year, added terms regarding guests, extended absences, acceptance of rent, abandonment, death of a resident, termination of housing assistance, fraud, admonishments and unit inspections.
- Payment and Deposit: clarified expectations for handling payments, including cash, by property management staff.
- House Rules: replaced the old Resident Handbook and introduced new rules to allow enforcement of a higher standard of order and cleanliness in common areas.

- Use of Community Space: updated 1977 policy to clarify rules on use and decorations and increase deposit.
- Lock Outs: revised to increase access control by limiting lock-out services to the head of household only.
- Deposits and Fees: updated several deposits and fees.

Poverty deconcentration

SHA is addressing the issue of deconcentration of poverty by:

- Continuing to create mixed-income communities in previously distressed public housing family developments; and
- Helping SHA residents to get a job or improve their employment situation to "create a mix of incomes from within."

Through acquisition and project-basing Housing Choice Vouchers, SHA is also supporting creation of affordable housing in non-poverty neighborhoods.

SECTION III: CHANGES IN HOUSING STOCK

This section compares the number and types of housing resources SHA had at the start of MTW (December 31, 1998), and the end of FY 2004 with actual numbers for the end of FY 2005.

In the FY 2005 Plan, SHA forecast a net increase of 451 units and tenant-based housing opportunities over the year. The actual change was 587 units. Changes are described below.

Housing Program	Pre-MTW 1998	October 1, 2004 Actual	October 1, 2005 (projected)	October 1, 2005 Actual	Percent Change 1998-2005
Housing Choice Vouchers	4,517	7,861	7,861	8,309	184%
Section 8 New Construction	159	151	100	100	63%
Low Income Public Housing	6,144	5,366	5,673	5,443	89%
Seattle Senior Housing Program	1,198	993	993	993	83%
HOPE VI non-public-housing rental	5	190	363	290	5800%
Other affordable housing	282	895	816	900	319%
SHA-managed, owned by others		29	29	37	n/a
Total	12,305	15,485	15,835	16,072	131%

Housing Choice Vouchers

SHA received 448 new Housing Choice Vouchers (198 additional High Point replacement vouchers and 250 Holly Park replacement vouchers). These were not anticipated in the FY 2005 Plan because SHA

found out about eligibility and applied for them in FY 2004 after the FY 2005 Plan was completed. 492 vouchers converted from special purpose to MTW as shown in the table below:

Housing Choice Vouchers	FY 2004 Total	Converted to MTW in FY 2005	New in FY 2005	FY 2005 Total
MTW Vouchers & Certificates	6,696			7,188
Opt-Out	27	27		0
Mainstream Disability	75			75
Replacement Housing	243	243	448	448
Relocation	68	68		0
Welfare to Work	752	154		598
Total	7,861	492	448	8,309

Section 8 certificates are being converted to Housing Choice Vouchers when a certificate holder leaves the program and when an annual recertification determines that a certificate holder will not become rent-burdened with conversion. During FY 2005, 174 certificates were converted. At year end, SHA had 205 certificates remaining.

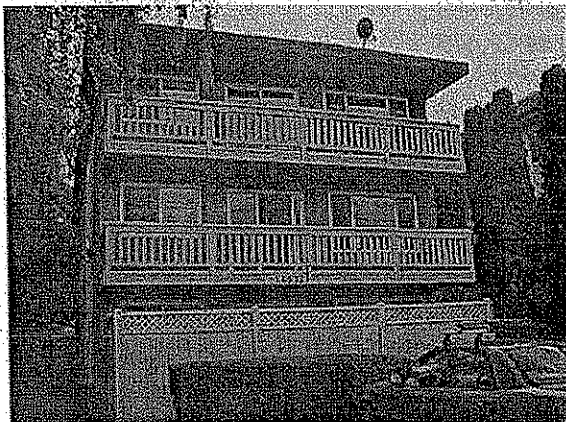
Section 8 New Construction

As planned, SHA sold Market House (51 units) to the Pike Place Market Preservation and Development Authority. Market House will remain in the Section 8 New Construction program.

Public housing

Changes in public housing include:

- As expected, all 163 public housing units came on-line at Othello Station.
- As planned, 125 new units came on-line at Rainier Vista.
- The FY 2005 plan anticipated 123 new units on-line at High Point. Changes to the construction schedule meant that 63 units were actually leased to public housing residents by year end.



Scattered site replacement housing along Greenwood Avenue NW

- By year end, SHA had sold 64 scattered site units and purchased 40 replacement units in five properties. Nine one-bedroom units were purchased along with the 2+-bedroom replacement units. These units will be public housing, and may be considered replacement housing for some other purpose for which they are suitable. Another four units were under contract to

purchase at year end (closed mid-October); these are not reflected in the totals above.

Seattle Senior Housing Program

The SSHP unit count remained the same, 993, as anticipated.

Other housing

Changes to other housing in FY 2005 include:

- Workforce housing came on-line at all three HOPE VI communities: 56 units at Othello Station, 59 at Rainier Vista and 11 at High Point.
- At HUD request in FY 2003, SHA assumed management of Kateri House, an 8-unit, Section 202 building owned by the Seattle Indian Center Housing Association. SHA intended to purchase it upon HUD approval. HUD approved sale to a single asset entity in late 2004. The sale closed on December 31, 2004. SHA continues to manage the property for the single asset entity.
- SHA added six units to the local housing portfolio with the purchase of a building adjacent to Holly Court. This purchase is part of a strategy of land assembly and neighborhood revitalization in the area. Until a comprehensive plan is developed for the area, this building will be operated as affordable workforce housing.

SECTION IV: SOURCES AND AMOUNTS OF FUNDING

This section compares projected and actual sources and amounts of funding included in the MTW budget and other programs. SHA's Consolidated Financial Statement can be found in Appendix E. Please note that the figures in this section represent unaudited fiscal year end data.

Planned vs. actual revenues – MTW Budget

Funding Sources	Projected Revenues	Actual Revenues
Dwelling Rental Income	\$9,670,185	\$9,838,142
Investment Income	102,766	388,377
Other Income	1,226,483	1,467,314
Use of Reserves ²	1,133,661	0
Housing Choice Voucher Block Grant	58,775,689	62,683,756
Capital Block Grant	14,089,473	13,574,458
Public Housing Block Grant	12,881,845	13,935,661
Total Revenues	\$97,880,102	\$101,887,708

Note: Capital Block Grant revenues represent SHA's FY 2005 allocation only. No funds from prior year capital grants are included.

Differences between projected and actual funding

Dwelling rental income: Many small variances contributed to the overall increase.

Investment income: Interest rates increased during the year.

Other income: Antenna and non-dwelling lease income increased, more than off-setting a decrease in Title XIX funding due to rule changes.

Use of reserves: Use of reserves has been added to the budget to show how revenues and expenses balance. Reserves were budgeted to manage Housing Choice Voucher payments, because, when the budget was prepared, HUD funding was not keeping pace with voucher cost increases. Between higher than anticipated attrition and stopping voucher issuance for most of the year, current revenues covered current expenses and use of reserves was not necessary.

Housing Choice Voucher block grant: Several voucher increments expected to remain as special purpose vouchers in FY

2005 were instead converted to MTW vouchers.

Capital block grant: The actual capital grant was smaller than budgeted.

Public housing block grant: SHA received a higher percentage of its formula funding than was assumed in the budget.

Planned vs. actual revenues – other programs

SHA operates a number of housing programs not included in the consolidated MTW budget: special purpose Housing Choice Vouchers, SSHP, Section 8 New Construction and a large and growing Other Affordable Housing Portfolio, as well as HOPE VI and other grant-supported programs. In addition, SHA manages housing for other owners and runs other programs that support housing operations. The following table compares the projected with actual revenues for FY 2005 non-MTW activities.

Healthy Homes, Healthy Communities

The Healthy Homes, Healthy Communities program is well underway. Neighborhood House is the lead agency for this \$1.8 million initiative funded by HUD and the National Institute of Environmental Health Sciences; in addition to Neighborhood House and SHA, partners include Public Health—Seattle & King County, University of Washington and Puget Sound Neighborhood Health Centers.

This initiative includes the building of 35 “Breathe-Easy” Homes with physical features and a package of education and support to mitigate the impacts of asthma on children and their families. Six of these homes have been completed with families scheduled to move in November 2005. To remain in the program, families, who must have a family member who suffers from asthma, must also agree to meet stringent requirements. As a result, many families who were initially interested have dropped out. At year end, 28 families were enrolled.

Youth and adult action teams completed the first round of outreach to all High Point residents to identify environmental justice issues and assess indoor environmental quality. They began projects to address issues such as traffic speed, pedestrian safety and improvement of the Bataan/Graham Street staircase to increase resident connection between High Point and Delridge. They conducted 35 home environmental checks and developed a *Guide to Healthy Homes* in four languages.

The Research Team conducted 155 household baseline surveys to assess the effect of built conditions on households in the old High Point. A follow-up survey will be conducted in 2007 to assess the impact of the new High Point on residents’ health.

Community facilities

Natural drainage system: The cutting-edge natural drainage system at High Point will be the largest in the nation. The system of

swales built into every block will regulate stormwater flow into a large detention pond and cleanse stormwater entering Longfellow Creek, which is home to Seattle’s most significant Coho salmon run. With this system, the quality of stormwater leaving High Point should be about the same as it was under natural conditions, i.e., before Seattle’s urbanization began 130 years ago.

The pond is surrounded by a park with a quarter-mile walking trail and a cascade. Construction of the pond was largely completed in FY 2005. The pond will be fully hooked up to the natural drainage system when Phase II infrastructure is done. Until then, its functionality is maintained with temporary equipment.



High Point pond, walking trail and cascade.

In FY 2005, a Natural Drainage and Open Space Association was incorporated and covenants recorded. This association will maintain the natural drainage system and open spaces at High Point. All High Point property owners, including the low-income housing limited partnership and businesses, are members and will pay an assessment.

A Neighborhood Association was also incorporated in FY 2005. This association will provide community services for all High Point residents, such as block parties, community events, youth educational services, etc. It is funded by property transfer fees and annual assessments to all property owners.

Neighborhood Center: During FY 2005, SHA, Neighborhood House and other partners continued planning and predevelopment for the High Point Neighborhood Center. The development program for this 20,000 square foot, energy-efficient, LEED-certified building focuses on youth enrichment. The current schedule calls for final plans and fundraising to be completed in 2006, and permitting and construction to begin in 2007.

Library: The Seattle Public Library reports that usage of the High Point branch has increased 730 percent compared to the old High Point library.

Mixed use development

At 35th Avenue SW and SW Graham Street the "gateway" of the new High Point, a mixed-use, commercial-residential development will help reweave High Point back into the fabric of West Seattle. The site is well positioned to become the center of a future retail core along 35th. SHA purchased a key parcel, the old Doug's VW site, in February 2005. The acquisition of this 10,462 square-foot parcel completes SHA ownership of the corner of 35th and SW Graham. This will permit the eventual development of a public plaza on the site, surrounded by businesses serving the neighborhood.

SHA continues to work with development partner Security Properties to plan the site. To help make the financing pencil, SHA, as a Community Development Entity, applied for an allocation of New Market Tax Credits. A plan will be finalized once these tax credits are secured. Construction is scheduled to begin in 2008.

High Point Phase II

Several milestones were achieved in planning and permitting for Phase II:

- The project completed design review. The City issued a Master Use Permit for 236 rental units.

- Preliminary plans for three neighborhood parks were completed.

As part of a required Street Improvement Plan for Phase II, SHA and the City negotiated an expansion of the Sylvan/Morgan corridor into a boulevard. The future character and function of this arterial street will tip the balance toward the pedestrian-friendly neighborhood feel that is part of the High Point vision. The street bisects Phase II with High Point Elementary and Parks Department Community Center on one side, and the planned High Point Neighborhood Center on the other, so safe, marked crossings are critical. It is also one of the major east-west arterials in West Seattle. SHA convinced City traffic engineers that pedestrian interests should be accommodated as well as those of drivers.

Off-site replacement housing

SHA's HOPE VI commitment to the community is one-for-one replacement of all low-income units. For NewHolly and Rainier Vista, SHA and the City have entered into formal Memoranda of Agreement, approved by the City Council, that outline SHA's replacement housing obligations. The SHA Board of Commissioners has adopted a replacement housing plan for High Point. SHA continues to deliver on its commitments.

Holly Park

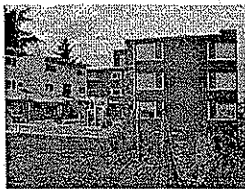
The remaining seven Holly Park partnership units will be in a Delridge Neighborhoods Development Association project at the corner of 35th Avenue SW and SW Morgan Street, near High Point and next to SHA's Alder Crest apartments. The redevelopment of this corner will contribute to the overall revitalization of High Point.

New replacement units in FY 2005 included:



Judkins Park (Housing Resources Group - HRG): Eight Holly Park replacement units in a 16-unit community in Seattle's

Central Area. Four units are transitional housing for homeless families.



Katharine's Place (Archdiocesan Housing Authority): Five replacement units in a 25-unit community for families in the Rainier Valley. Ten

units are transitional housing for homeless families.

Under construction in FY 2005:

- Nihonmachi Terrace (Inter*Im Community Development): 20 out of 50 units for families in the International District. Expected completion: December 2005.
- Pantages Apartments (Capitol Hill Housing Improvement Program): Ten of 49 apartments for families. Expected completion: December 2005. The project includes restoration of a 1904 Victorian-style home built by Alexander Pantages, a vaudeville theater operator in the Northwest. The restored home has been divided into four units and has been placed on Seattle's historic landmarks list.
- Denny Park Apartments (Low Income Housing Institute): Five out of 50 units for families will add to affordable housing in the quickly changing South Lake Union neighborhood. Expected completion: January 2006.
- Stone Way Apartments (HRG): 35 replacement units in a 70-unit, mixed-use development on the site of SHA's former maintenance base at 45th Avenue North and Stone Way. In FY 2005, HRG closed the financing, purchased the property and began construction.
- Broadway and Pine Apartments (Capitol Hill Housing Improvement Program): Ten of 44 apartments. Expected completion: February 2007.

Rainier Vista

Rainier Vista replacement housing commitments have been met with the identification of 37 partnership units in Southeast Effective Development's Dakota family housing community and 17 additional replacement units in Genesee House. Both projects were under construction in FY 2005.

High Point

FY 2005 is the first formal year of the High Point replacement housing program which runs through 2009. The FY 2005 commitment is for fifty units. Fifty-one High Point replacement units were purchased in FY 2002 to meet this goal.

Scattered sites portfolio reconfiguration

In FY 2005, SHA began to sell up to 200 scattered site units and replace them with units that are more efficient to manage and maintain and better located to meet resident needs. By year end, SHA had:

- Sold 64 of the first 71 units identified for sale.
- Bought 40 replacements (2+ bedroom units), and had another four under contract at year end.
- Identified another 125 for sale in FY 2006 and FY 2007 and conducted the resident notification for these units.
- Submitted a disposition application to HUD for 79 of these units.

Yesler Terrace: Toward the end of the fiscal year, SHA began working with the Yesler Terrace Community Council to identify Council representatives to be involved in the planning process.

New Yesler Community Center: The new Yesler Community Center opened in February 2005 as scheduled.



Mayor Greg Nickels, surrounded by Yesler residents and various dignitaries, cuts the ribbon, opening the new Yesler Community Center.

Other community revitalization activities

Ballard House: Ballard House is in the first phase of homeWorks. In addition to building system rehabilitation similar to homeWorks projects in other buildings, four accessible units will be added and common areas and community spaces will be enhanced to support the senior designation.

Bell Tower: During FY 2005, SHA assessed the structural feasibility of redeveloping the ground floor to include commercial space, a redesigned and renovated management office and a new community room. This would enclose the courtyard in front of the building, an indefensible space and long-standing public safety hot spot. Such improvements were found to be structurally feasible. SHA is still assessing their financial feasibility.

Greenlake Plaza: During FY 2005, SHA contractors determined that the one-story office space addition to Greenlake Plaza was in such poor condition that it could not be reused. The plan is to demolish this space and enlarge the outdoor patio as part of homeWorks.

Jefferson Terrace: Work on a long-range plan for improvements to Jefferson Terrace has been postponed to FY 2006.

Lake City Village site: The old Lake City Village public housing complex was demolished in 2001 and replaced with 16 town-homes elsewhere in Seattle made affordable using project-based vouchers (2002). Last year, SHA acquired the 31,000 square foot adjacent property to assemble a parcel large enough to redevelop. In FY 2005, SHA began planning for the redevelopment of this under-used site as a mixed-income, mixed-use community. SHA is also negotiating to purchase all or part of another adjacent lot which will enhance the redevelopment.

Holly Court: SHA acquired Holly Court in the 1970s at the request of the City to clean up a notorious public safety problem. Holly Court was constructed to low standards and has aluminum wiring and other flawed building systems that make rehabilitation impractical. In addition, the design of the community detracts from the overall revitalization of the NewHolly neighborhood. During FY 2005, SHA and Union Gospel Mission, which owns a large parcel of land along Othello Street next to NewHolly Phase II, worked together on a comprehensive redevelopment plan for the area that would have involved a land swap between SHA and the Mission including the site of Holly Court. Ultimately, however, the two parties realized that their goals and timelines were not compatible and have agreed to go their separate ways. SHA continues to investigate replacement options for Holly Court and redevelopment potential of the Holly Court site.

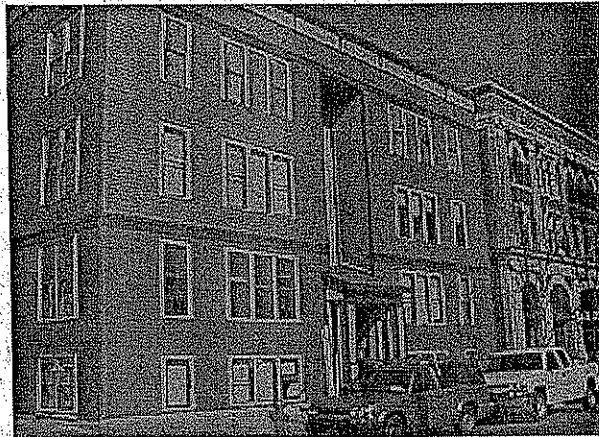
Leschi House: A zoning and design study determined that more units can be built at Leschi House, a very popular Seattle Senior Housing Program building. The next steps are to renegotiate an existing shared parking arrangement with a neighboring property owner and develop a financing plan.

12th Avenue and Yesler Way: In August, SHA purchased a dilapidated house next to the SHA-owned market at 12th Avenue and Yesler Way. The 5,500 square-foot property is zoned for high-density neighborhood commercial development. It is also contaminated with dry cleaning and petrochemical products from a neighboring dry cleaner that closed in the 1980s. In May, SHA was awarded a \$96,000 EPA brownfields grant to help pay the costs of cleaning up the site. The grant enabled SHA to adequately compensate the family which owned the house. They were able to use the money to move their 90+ year-old mother to a safe home with one of her adult children.

SHA has been in negotiations for the next parcel up the street from this house for over a year. The parcel is tied up in a complex dispute among multiple heirs which must be resolved before SHA can take ownership. This parcel is also contaminated. The parcel next to that is the source of contamination. SHA has informed the owner of that property of the contamination concerns.

Alder Crest Apartments: SHA purchased this 36-unit apartment down the street from High Point in 2004 to contribute to overall revitalization of the neighborhood. This run-down building had little management oversight and was a crime hot spot. In FY 2005, SHA moved forward on a plan to rehabilitate the building as affordable workforce housing using state funds and low income housing tax credits. Eight units will provide transitional housing for homeless families through the Sound Families program. Financing was secured, rehabilitation plans largely completed, and most residents relocated. The property will be transferred to a limited partnership in early FY 2006, with construction to begin soon thereafter.

The Ritz Apartments: The rehabilitation of the 30-unit Ritz Apartments as workforce housing was largely completed this year. SHA purchased the building in December 2003 from an owner in bankruptcy. The Seattle Office of Housing requested that SHA buy and rehab the building to keep it in use as affordable housing and protect a \$500,000 community development block grant investment that the City had made many years ago.



The Ritz Apartments after renovation.

Organizational and administrative improvements

Performance measurement: SHA continues to use the pre-MTW HUD performance benchmarks: vacancy percentage, rent collection, work order response and voucher utilization. For several years now, SHA has been budgeting and tracking expenses at the project level. Project budgets are rolled up into property management portfolios. In quarterly performance reviews, SHA examines portfolio-level performance using typical private sector measures such as expenses compared to budget and vacancy loss.

Total Development Cost limits: HUD published new TDCs in July 2005, so SHA did not have to exercise its MTW authority to develop local TDCs.

Streamline HUD approval of mixed-finance deals: SHA has requested a HUD waiver of regulations to allow mixed-finance closings to occur without review of evidentiary material by a HUD attorney, based on a model developed by HUD and the Atlanta Housing Authority. At year end, that waiver had not yet been granted.

Streamline demolition/disposition: The Seattle MTW Disposition Protocol was included in the FY 2004 report. In FY 2005, HUD approved the general conditions for disposition of 71 scattered site units and issued final approval for 66 of these units. At year end, an application for disposition of another 79 units was under review.

Resource conservation: Many of the business practices spelled out in the resource conservation protocol are being implemented. In FY 2005:

- SHA completed the replacement of electric hot water boilers with energy efficient gas boilers in 18 highrises. The new boilers are expected to save an average of \$1,000 per month per building.
- City funding helped SHA install energy efficient front load washers in new rental units at Rainier Vista. The washers will save each family \$90-\$120 a year on water and electric bills.
- SHA assumed responsibility for billing NewHolly, Rainier Vista and High Point residents for their water use in order to increase accuracy and timeliness of billing and encourage conservation. Each unit's water meter was equipped with a transmitter that sends consumption information to a centralized database. Seattle Public Utilities provides rate information. SHA puts together the consumption and rate information and generates a monthly bill.

Procurement policies: During FY 2005, SHA adopted a procurement policy amendment that provides an incentive for potential

bidders and contractors to hire low-income people and involve Section 3 businesses as defined in 24 CFR 135.5 (Resolution 4793, July 2005). Contractors who bid on SHA contracts for goods and services are given incentive points in the scoring of their proposals if they: are business entities owned by Section 3 qualified persons; commit to subcontract a certain percentage of the work with other Section 3 businesses; or commit to employing Section 3-eligible people.

Streamline wage rate administration: During FY 2005, SHA streamlined administration of prevailing wage requirements in bid documents and contracts for projects less than \$35,000. Contract and bid documents now incorporate, by reference to SHA's website, the required prevailing wage rates and applicable labor standards provisions for non-routine maintenance projects of less than \$35,000. In addition to paperwork reduction, this change improves the clarity of bid and contract documents by eliminating redundant or inapplicable prevailing wage requirements. The HUD Seattle Regional Labor Relations Officer concurred with these revisions.

Protégé@work: This is a multi-year technology initiative to make documents immediately accessible via computer to staff, and reduce the amount of paper handled, copied and stored. "Document imaging" is the conversion of paper documents into electronic images, through computer-based forms or scanning paper documents.

Ultimately Protégé@work will be quite comprehensive, including document imaging and management, electronic forms and forms management, electronic reporting and workflow streamlining.

The Mod Rehab Pilot was implemented in January 2005. The results have shown:

- Significant reduction in paper-handling: 95 percent fewer incoming paper documents, and 81 percent fewer outgoing

paper documents with a commensurate reduction in postage costs;

- Staff almost doubled the amount of time spent on actual casework and dramatically increased productivity and speed of processing files:

- At least 50 percent less time was spent to approve subsidy for a new participant.
- Average number of days to process an Annual Review shrank from 40 days pre-pilot to 13 days post-pilot.

- A savings in floor space equivalent to one or two cubicles with the elimination of hard copy resident files.

- The system supports better communication and eliminates lost files, strengthening relationships with housing partners.

Implementation of Protégé@work will continue after SHA's Section 8 software moves from MLS Flex (which is being phased out by the software company) to the new Elite software in FY 2006.

SECTION VI: CAPITAL PLANNING

This section describes capital activities and reports on the status of demolition, disposition and homeownership activities. A list of capital work items by housing program can be found in Appendix F.

Modernization and rehabilitation

homeWorks, the public housing highrise renovation program

For the past two years, SHA has been planning the rehabilitation of many public housing highrises by leveraging HUD capital subsidy with private investment, such as low-income housing tax credits. SHA's intent is to rehabilitate major building systems and address deferred maintenance in about 20-25 highrises in three phases over the next several years. To that end, during FY 2005, SHA:

- Hired a program manager for the project, now called *homeWorks*;
- Contracted for design services for all three phases;
- Selected a General Contractor/Construction Manager for Phase 1; and
- Received initial proposals for tax credit investment in Phase 1.

Activities underway at year end include the selection of a tax credit equity partner and design of renovations.

Public housing capital work items

Public housing capital obligations for FY 2005 totaled \$16,098,914:

- *Redevelopment*: \$6,356,873 supported HOPE VI redevelopment activities. An additional \$3,825,000 of MTW block grant funds was obligated for the following purposes:

- \$2,100,000 to reimburse Sound Transit for SHA-requested infrastructure improvements at Rainier Vista and NewHolly completed as part of Sound Transit's construction of the light rail line.

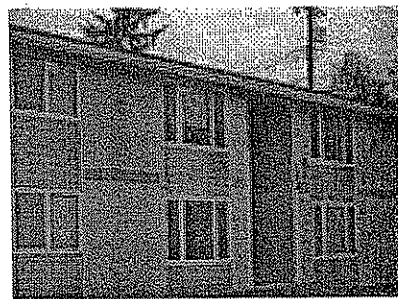
- \$1,725,000 to contribute to off-site mitigation of stormwater impacts from the redevelopment of NewHolly and Rainier Vista.

- *Hazardous materials and vacant units off-line*: \$602,000 was expended to eliminate hazardous materials in dwelling units and repair and renovate vacant units requiring more than repair of normal wear and tear.
- *Other program costs*: Administrative costs for the capital program came to \$1,105,000. Architecture and engineering costs were \$179,000. Overhead totaled about \$700,000.

SSHP capital work items

SSHP capital obligations for FY 2005 totaled \$697,000. A list of projects by community can be found in Appendix F.

Other facilities capital work items



Projects completed in FY 2005 included a major exterior repair and water-proofing of several

buildings at Wedgewood Estates, a new fence at Longfellow Creek which has dramatically increased curb appeal, and comprehensive modernization of nine of 24 units at Westwood Heights East (pictured above).

Federal capital funding expenditures

To reflect the actual time needed to plan, design, procure contractors and implement

capital activities, public housing capital fund and HOPE VI grant funds are normally used over several-years. The table below shows the funds obligated through FY 2005 from each allocation.

Program	Fund Source	Budget	Funds Obligated Through FY 2005
Public Housing	FY 2004 HUD Capital Fund	\$14,089,473	\$14,089,473
Modernization	FY 2005 HUD Capital Fund	\$13,574,458	\$12,191,101
HOPE VI	Holly Park Revitalization Grant	48,116,503	48,116,503
	Rainier Vista Revitalization Grant	35,000,000	31,735,000
	High Point Revitalization Grant	35,000,000	29,848,000

Disposition and demolition

HUD approval is required before SHA can sell or demolish public housing property, or enter into long-term leases. This section reports on disposition and demolition requests and approvals during the fiscal year.

SHA listed several potential dispositions in the FY 2005 MTW Plan. Of these, the following were actually requested:

- Disposition of public housing highrises to a limited partner in order to combine capital subsidy and low income housing tax credits (submitted in early FY 2006).
- Up to 130 scattered site units to increase management efficiency: SHA submitted a disposition request for 79 units, which was being reviewed by HUD at year end.
- In FY 2005, using the MTW streamlined disposition protocol, HUD provided preliminary approval for 71 scattered sites units as planned. Of these, final approval was obtained for 66 vacant and ready to sell units.

Other potential dispositions or demolitions not requested in FY 2005 may be in future years. These include:

- A portion of the ground floor and lot of Bell Tower to develop its commercial potential and address public safety issues.
- Vacant land at the Lake City Village site for redevelopment.
- Vacant land at High Point and Rainier Vista for redevelopment.
- Demolition approval for Holly Court, if SHA determines that Holly Court units can be replaced nearby and in a timely fashion.
- Additional scattered sites with excess zoned development capacity for redevelopment.

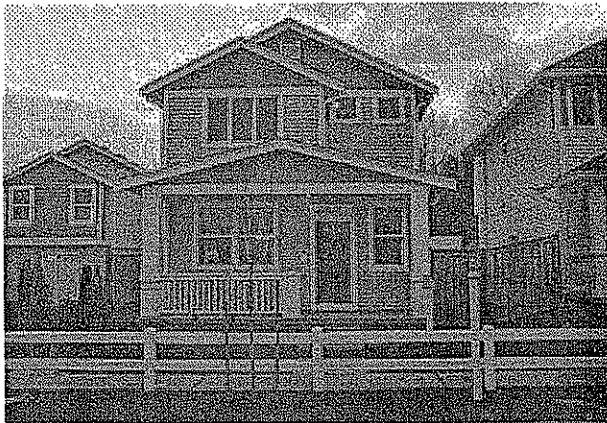
Homeownership activities

HOPE VI: Affordable homeownership is part of the strategy for creating mixed-income communities at NewHolly, Rainier Vista and High Point. With the sale of land to private homebuilders, SHA has added another strategy for developing homes affordable to households with incomes up to 80 percent of area median or up to a purchase price of about \$312,000. The requests for proposals to sell land to home builders specify that builders selected to produce a specific number of homes at affordable prices will be required to provide a bank or mortgage company

certification that the buyers have incomes below 80 percent of median. This "set aside" will ensure that affordable homeownership units go to the target market.

The NewHolly homeownership program continues to make the dream of homeownership a reality for low-income households. At year end, 73 households with incomes below 80 percent of area median income had purchased homes at NewHolly, with several more buyers under contract to purchase early in FY 2006. Twenty-eight of these buyers purchased Habitat for Humanity units. The goal is 100 households.

Polygon-Northwest, the largest for-sale builder at Othello Station, is selling 15 units to buyers with incomes at or below 80 percent of area median. Polygon, SHA and the Seattle Office of Housing have partnered to identify qualified buyers for these units, and provide them homeownership counseling and access to City down payment assistance of up to \$45,000.



Polygon-Northwest model unit at NewHolly.

In FY 2005, eight of 15 Habitat for Humanity units at Othello Station were substantially complete. Twelve of the fifteen are townhouses – a new product for Habitat which is less costly to build than detached single family houses. The purchasers of these units will also be able to take advantage of a local property tax exemption for affordable multi-family housing. Habitat is using designs from else-

where on site, saving design costs and ensuring that the units will fit in with the rest of the community. At year end, one Rainier Vista household had purchased a Habitat unit and was waiting for it to be finished.

Habitat will also provide affordable housing at Rainier Vista and High Point. At Rainier Vista, Habitat is considering taking on some condominiums, introducing another high-density, low-cost housing option. The unit shell would be completed by a builder, and Habitat volunteers would complete the interiors.

At High Point, a site has been identified for eight Habitat units. SHA and Habitat have begun conceptual review of the home designs.

The Rainier Vista affordable homeownership goal is 40 percent of the for-sale homes built. As part of the land sales to builders, two blocks at Rainier Vista have been set aside for affordable homeownership. Homes on one block are to be priced for buyers with incomes below 50 percent of area median and the other for buyers with incomes between 50 and 80 percent of area median income. On 16 more blocks, builders will be required to price 15 percent of the homes for buyers with incomes under 80 percent of median income.

The High Point affordable for-sale program is 80 units. To achieve this goal, interested builders were asked to include an affordable for-sale housing component. Several affordable housing types are now in design, including condominiums and carriage houses.

Section 8 homeownership: In FY 2003, SHA and the King County Housing Authority obtained ROSS funds for a Section 8 homeownership demonstration for public housing residents enrolled in Family Self-Sufficiency, Jobs Plus or The Job Connection.

The housing authorities contracted with the Urban League, El Centro de la Raza and International District Housing Alliance to prepare clients for homeownership.

SHA and KCHA each offer down payment assistance for up to 30 households. In FY 2004, SHA approved a down payment assistance policy (Resolution 4737) and used its MTW block grant to set aside \$450,000 for down payment assistance. Thirty households will receive up to \$15,000 each. The pilot has shown that down payment assistance is more helpful to families than supplementing monthly mortgage payments, which other housing authorities are doing in their Section 8 homeownership programs, in that qualifying households can generally afford a mortgage but have difficulty saving for a down payment.

Eight households have purchased homes to date, seven during FY 2005. Six households purchased in Seattle and the seventh in Skyway, an unincorporated area just south of the city limits.

Household Members	Income	Price	Down
1*	\$19,320	\$179,950	\$92,950
2	\$35,567	\$240,000	\$38,000
2	\$40,543	\$280,000	\$41,500
2	\$44,604	\$255,000	\$24,500
2	\$48,312	\$200,000	\$30,000
2	\$56,390	\$265,000	\$25,000
4	\$58,020	\$245,000	\$24,500
2	\$71,643	\$319,950	\$21,000

*also an FSS participant

Family Self-Sufficiency: SHA was awarded HUD funding for an FSS Homeownership Specialist to pre-qualify and help clients create homeownership plans; develop partnerships with lenders, realtors, escrow companies and inspectors; and provide homeownership workshops to all interested SHA residents and the general public, as well as FSS participants. In FY 2005, seven FSS participants became homeowners:

Household Members	Income	Price	Escrow for Down
1*	\$19,320	\$179,950	\$1,563
2	\$28,896	\$255,000	\$2,932
1	\$28,967	Inherited	n/a
2	\$36,000	\$350,000	\$27,628
2	\$44,754	\$215,500	\$7,112
2	\$44,754	\$215,500	\$7,112
5	\$89,079	\$197,156	\$3,028

*Also received Section 8 down payment assistance

Five households purchased in Seattle and a sixth in Renton, just south of the city limits. One household purchased the public housing scattered site unit they had lived in for 18 years.

The Job Connection: Two of the families listed above were also enrolled in The Job Connection. Five other Job Connection participants were also able to purchase homes.

Homeownership Counseling: The Washington State Housing Finance Commission awarded SHA \$5,000 for homeownership counseling and \$3,000 for predatory lending counseling. With this funding, SHA sponsored nine homeownership orientation classes, five five-hour certification classes, two credit classes and a maintenance class. Information on predatory lending was presented at each class to inform residents about what to watch out for when selecting lenders or realtors. A total of 276 SHA residents attended one or more of the workshops.

SECTION VII: OWNED AND MANAGED UNITS

This section reports on management performance indicators for FY 2005.

Vacancy percentage

	FY 2004	FY 2005
Public housing	2.87%	1.83%
SSHP	1.81%	1.36%
Sec. 8 New Construction	2.97%	0.97%

Vacancy percentage by community for public housing can be found in Appendix G.

Rent collection

SHA collected 97.7 percent of public housing rents assessed and other tenant charges in FY 2005, down slightly from the 98 percent collected in FY 2004.

Work orders

Emergency work orders: SHA responded within 24 hours to over 99.5 percent of requests for emergency maintenance work.

Regular maintenance work orders: During FY 2005, SHA responded to 97.6 percent of work orders within 30 days.

Inspections

SHA conducted 100 percent of inspections in public housing during FY 2005 in accordance with its public housing inspection protocol.

Under the MTW protocol each public housing unit received either a critical item inspection or a comprehensive inspection. About 2,930 comprehensive inspections were conducted. All critical item inspections were completed on schedule.

Security

Only three households were evicted for cause during FY 2005 as a result of lease violations other than non-payment of rent, while another 11 left SHA housing under threat of eviction for cause. This is the third year of significantly fewer for-cause evictions. One reason for the declining number of evictions may be the success of the case management and eviction prevention program in the highrises (see Section IX). Case managers and property managers work together to either help tenants resolve problems and regain their good standing status, or find alternative housing for people who cannot live with the level of independence required in SHA housing.

Community policing: In FY 2005, SHA continued to contract with the Seattle Police Department for five Community Police Team (CPT) officers. One officer from the South precinct split time among southeast Seattle properties including Rainier Vista. One Southwest precinct officer split his time among West Seattle properties including High Point. Yesler Terrace, and public housing highrises in the East and North precincts each had a full-time officer. Property managers are in daily contact with the officers to address problems immediately and reinforce positive connections between residents and the police.

CPT coverage was phased out at Rainier Vista and High Point by the end of FY 2005. These two communities have experienced a significant decrease in reported crimes. There is no longer a need for intensive CPT services at these communities.

The success of this partnership is based on the competence and commitment of individual officers. It takes time for an officer to learn a community and build trust among residents. Having the same officer assigned to a com-

munity for at least two years greatly enhances program effectiveness.

Crime prevention organizing and education: SHA continued to support crime prevention through the Seattle Neighborhood Group. Under this initiative, crime prevention organizers assigned to Yesler Terrace, High Point, Rainier Vista and five public housing highrises mobilized and assisted about 1,000 residents to participate in measures that lead to safer communities.

Off-duty police officers: SHA employs off-duty, uniformed police officers for security services in several highrise buildings. These officers impart an effective, authoritative, professional presence to maintain safety and security in communities affected by criminal activity or at high risk of renewed activity. In addition to providing security, these officers actively support investigations and work with residents to help them contribute to the safety and security of their communities.

Private security: SHA has contracted with a private security firm for communities affected by trespassing, drug trafficking or uncivil behavior. These communities are regularly patrolled to help keep out unauthorized persons and enhance resident safety. The same firm is on call for immediate response to a variety of emergent situations, such as fire-watch and lockout patrols, in all SHA communities.

At NewHolly, Rainier Vista and High Point, private security provides the homeowners, renters and agencies a contact point for deter-

ring youthful mischief, graffiti or loitering in the parks, as well as lockout and door check services upon request, parking lot surveillance and the like.

Reported crime statistics

The Seattle Police Department provides crime statistics based on officers' written incident reports of Part I occurrences on the census blocks where SHA communities are located. Therefore, of the Part I offenses reported to SHA, some, maybe many, did not occur in the public housing community located on that census block. SHA does not receive information about convictions for these occurrences.

The number of reported Part I offenses in FY 2005 compared to FY 2004 was about the same. However, several categories of crime declined, most notably, rape and non-residential burglary. Other categories increased slightly, including residential burglary, auto theft and theft. Yesler Terrace, with over five hundred units, saw a second year of decreases in reported crimes of 15 percent or 28 fewer Part I offenses.

The neighborhoods around several highrises experienced decreases in reported crimes of 40 to 90 percent: Stewart Manor and Cal-Mor Circle in West Seattle, Capitol Park on Capitol Hill, and Beacon Tower on Beacon Hill. Stewart Manor is adjacent to High Point and half a block from a long-time drug dealing hot spot which is beginning to change at least in part because of SHA's redevelopment activities in the neighborhood – High Point and the Alder Crest Apartments.

SECTION VIII: ADMINISTRATION OF LEASED HOUSING

This section compares performance targets for the Housing Choice Voucher Program for FY 2005 with actual performance.

Leasing information

Housing Choice Voucher utilization

SHA used about 99 percent of Housing Choice Voucher budget authority.

Ensuring rent reasonableness

Determination of rent reasonableness for new move-ins and annual reviews was centralized in early 2004 in order to improve consistency and objectivity. The Section 8 Administrative Plan states the process.

Since 1988, Dupre+Scott, a professional real estate consulting service, has completed annual rent reasonableness surveys for SHA. Before approving a unit for subsidy, a trained Housing Inspector inspects the unit and rates its condition as average, above average, or below average relative to other units in the neighborhood. The determination of rent reasonableness is made by a trained Owner Liaison using the inspection report and condition rating and refined market survey data for similar units in the area. The rent reasonableness evaluation addresses market comparability for unit size, location, quality, type, age, amenities and utilities paid by the owner.

Units where the proposed rent is higher than the Dupre + Scott average rents for comparable units are investigated further to ensure that the higher rent is justified by unit characteristics. The investigation includes documenting market comparables using current publicly advertised rents gathered from newspapers, the web, phone calls to landlords leasing units and "for rent" signs observed in the area. The contract rent is then negotiated with the owner. A detailed questionnaire and

certification of rent rolls completed by the owner provides supporting documentation of comparable rents self-reported by owners.

SHA ensures that the contract rent is reasonable at all times the unit receives Housing Choice Voucher assistance by conducting a rent reasonableness assessment whenever an owner requests a rent increase. A moratorium on rent increases went into effect March 2005 due to the high vacancy rate and stable rents in Seattle. Any exceptions are subject to limits set forth in the moratorium and require a full rent reasonable determination.

Expanding housing opportunities and deconcentration of low-income families

SHA received 448 more vouchers increasing the authorized voucher supply to 8,309.

SHA maintains the following services and resources for owners:

- a quarterly newsletter mailed with HAP checks that gives owners an overview of what is happening in the program along with detailed explanations of policies and procedures that affect them;
- a monthly training or orientation meeting for owners; and
- a section of *seattlehousing.org* devoted to program information for landlords, including an option of listing rental units online for inclusion in the weekly Section 8 rental listings.

SHA currently works with about 2,500 landlords in the voucher program, a slight decrease in participation compared to FY 2004. This is most likely because the only voucher holders in the rental market were families moving with continued assistance. About 15-20 new landlords express interest each month.

Between 75 and 100 landlords list available units with SHA each week.

Inspection Strategies

SHA currently inspects units to ensure that HUD's Housing Quality Standards (HQS) are met prior to executing a contract with a property owner. Inspections are repeated when the initial inspection reveals items to repair prior to leasing. Thereafter, the unit is inspected yearly to ensure that HQS have been maintained. As part of MTW, SHA continues to evaluate this system and explore other inspection methods and protocols.

PorchLight has embraced a new Inspection Software System to streamline and automate inspections. SHA purchased handheld computers, which look like a personal digital assistant, to allow inspectors to conduct paperless inspections and upload the results directly into the work order system. The system was tested extensively during FY 2005, and was implemented on October 1, 2005. The only change landlords will notice is the improved format of the *Summary of Deficiencies* mailed to them. The summary will include: results of the inspection, tenant and owner information, inspector name and phone number and a list of items needing repairs.

Performance indicators

SHA completed 100 percent of pre-contract HQS inspections and more than the required number of Quality Control inspections in FY 2005. Well over 99.5 percent of annual HQS inspections were completed this year (all but five of 4,879).

At the close of the fiscal year, a new utilization monitoring and projection model was being tested. The model will allow SHA to fine-tune the number of vouchers issued each month to ensure the highest possible voucher utilization within budget authority.

Housing Choice Voucher MTW policy changes

Tenant-based Housing Choice Voucher Program

Significant changes to the tenant-based voucher occupancy and rent policies are described in Section II. The full text of changes to the Section 8 Administrative Plan from Resolution 4784 can be found in Appendix D.

The FY 2005 Plan suggested that SHA might explore changes to the Housing Choice Voucher program to foster family self-sufficiency, such as income disregards proportional to payroll tax; allowances for employment related expenses such as transportation; or time-limits coupled with intensive employment services; and locally-defined hardship waiver for tenants on minimum rent. In the context of the overall review of the policy, such changes were deemed to have too big a financial impact — they would have increased per voucher costs, rather than decreasing them. Therefore they were not implemented.

Project-based Housing Choice Voucher Program

During FY 2005, SHA focused on meeting its outstanding commitments for project-basing Housing Choice Vouchers in HOPE VI replacement housing, Sound Families transitional housing and Seattle Housing Levy-funded projects (see Section II).

Merging of the Section 8 Certificate and Voucher Programs

Certificates continue to be converted to vouchers when a holder leaves the program or an annual review shows that the holder will not become rent-burdened. During FY 2005, 174 certificates were converted and 205 remain.

SECTION IX: RESIDENT SERVICES

This section describes community and supportive services outcomes for residents of SHA communities and Housing Choice Voucher participants.

Sustainability of Services

In March 2005, SHA contracted with The Collins Group (TCG) and Cedar River Group (CRG) to prepare a Human Services Funding Strategic Plan for SHA and test the potential for sustainable funding of \$1 million a year from private philanthropic and public sources. This level of funding could move up to 30 percent of families in SHA housing from dependency to self-sufficiency by 2025. Appendix J excerpts the recommendations from the final report.

SHA faces two significant challenges. First, SHA does not have a history of raising funds from philanthropic sources and therefore, no prior relationships with donors on which to build. Second, philanthropic organizations do not typically give to government agencies.

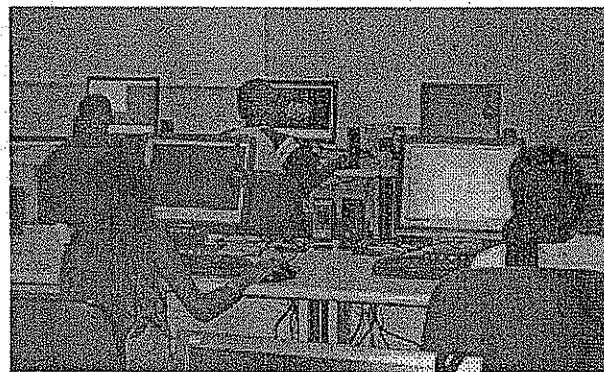
Given these challenges, TCG focused on testing donor willingness to contribute to programs that move residents out of poverty, particularly employment services, computer training and youth tutoring. These services were deemed to have the strongest potential to attract philanthropic support.

Through 23 interviews, including several with the region's most influential foundations, TCG evaluated SHA's ability to assemble the elements necessary for successful fundraising: leadership, giving potential, strong case for community benefits, organizational strength, internal readiness, climate and timing.

The study found interest among foundations to partner with SHA to promote resident self-sufficiency initiatives and for SHA to create a *Research and Innovation Incubator* to docu-

ment and quantify successful ways to foster self-sufficiency.

The Research and Innovation Incubator would first select indicators that represent movement toward self-sufficiency. These indicators would be tracked or further applied research conducted to ensure the mix of services available to residents is contributing to the desired self-sufficiency outcomes. Findings would be disseminated to increase the effectiveness of human services and to attract funding.



The new computer lab at the Rainier Vista Neighborhood Center is heavily used.

The study also recommended that SHA track the full value of public revenue created by redevelopment to make the case that some portion of that tax revenue be directed to SHA communities for human services.

SHA competed very successfully for HUD services grants during FY 2005:

Grant	Population served	Award
HCV participants		
FSS Program Coordinators & Homeownership Specialist		257,825
Public Housing		
Neighborhood Networks	Center Park	300,000
FSS Program Coordinator	Primarily Yesler Terrace, scattered sites	60,000
ROSS Family Model	High Point & Yesler Terrace	350,000
	Total	\$967,825

SHA also received \$8,000 from the Washington State Housing Finance Commission for homeownership training and counseling.

Employment Services

SHA's *The Job Connection* offers employment services at five offices: Yesler Terrace and Lake City (North Seattle) and in each HOPE VI community. In FY 2005, Job Connection assumed responsibility for the New-Holly career development center to make services available to new residents of Othello Station. Services include detailed intake assessment, life plan development, case management, placement assistance and follow-up for career upgrading. Multi-cultural and multi-lingual staff are representative of the communities they serve.

Through its Work Experience Program, The Job Connection offered six youth 240 hours of paid work over 12-24 weeks. This program, which grew out of the Seattle-King County Out-of-School Consortium in which SHA participated in FY 2004, was funded by a City of Seattle grant. It gave youth the opportunity to learn a wide range of job skills based on their interests. SHA's participation ended in July 2005 with the end of the grant.



Jeff Thungc, Job Connection placement specialist and Job Connection client, Abdurazaq Abdulqadir in front of the Safeway where Mr. Abdulqadir works as a courtesy clerk.

SHA residents with limited English language skills, no work history and no document-able education often come to The Job Connection. To help these clients make their way into employment, a similar "Work Experience" program is being developed for adults. SHA is identifying employers to participate in this program beginning early in FY 2006.

Employment outcomes

The Job Connection's placement goal for FY 2005 was 150 placements. That goal was achieved as shown in the table below:

Outcome	Number
Job Connection Enrollment	311
Enrolled TANF recipients	30
Enrolled youth	8
Adults	
Total placements	161
Unduplicated placements	150
Average hourly wage	\$10.33
Benefits after probationary period	101 or 63%
Full Time Jobs as of hire date	131 or 81%
Raises or career advancement	26 or 16%
Percent increase in wages	2%-29%
Youth*	
Work Experience placements	11
Unduplicated youth placed	6

*In the Work Experience program, employers are only required to pay minimum wage.

Of particular note is the large number of placements out of the NewHolly office – 77 in FY 2005 at an average hourly wage of \$9.56. The average hourly wage increased by more than a dollar an hour and the number of people receiving benefits more than doubled. This shows the on-going importance of having comprehensive employment services available in the redeveloped communities. As long as a substantial portion of units are affordable to extremely low-income households, new residents will always be moving in who need help getting their feet on the economic ladder to self-sufficiency.

Industry Type	Placements
Construction/Trades	29
Retail/Service/Hospitality	60
Service Paraprofessionals	19
Business/Clerical	16
Medical – all levels	6
Manufacturing	31
Total placements	161

Self-employment

Seven people started their own businesses: three janitorial services, a high-end clothing store for Muslim women, a hair salon, a medical transport business and a taxi-cab business. Five of the seven business owners used funds saved through the Rainier Vista Jobs Plus program and the United Way IDA program, while two relied on personal savings and contributions from family and friends.

Unfortunately, program participants who start their own businesses often lose their childcare assistance because, unless they carefully document business expenses to arrive at their true income, eligibility is based on gross income and they are therefore often found to be over-income. This is a potential barrier to more women becoming business owners.

Apprenticeships and employer relationships

Since 2001, SHA has worked with Nordstrom to develop a year-long, paid apprenticeship for public housing residents. The training is a mix of computer-based and on-the-job training and industry-specific ESL classes. Three residents successfully completed the apprenticeship in FY 2005, were placed in jobs at Nordstrom and given a minimum of a dollar an hour raise. A second year of training has been offered to five Job Connection participants.

The Job Connection is working with Equity Residential Properties, the largest property management company in the United States, to develop employment opportunities. Equity Properties offers good entry-level wages, opportunity for career advancement and an excellent benefits package.

The Job Connection serves some people who have had minor criminal offenses in their past or who have met all conditions of parole. A few of these individuals live in SHA-managed housing and have met all SHA's suitability

and eligibility requirements. Most, however, live in the neighborhoods around the HOPE VI communities and meet the eligibility requirements for receiving employment services. The Job Connection is working with one area employer who has expressed a willingness to hire people with such histories.

The Job Connection was unable to become a "Ticket-to-Work" vendor, a program of the Social Security Administration funding employment services for residents on SSI or SSDI, as anticipated in the FY 2005 Plan. The Job Connection, as a government agency, was not eligible to participate.

Also in FY 2005, United Way stopped contracting with The Job Connection to oversee the Individual Development Account (IDA) program. IDAs were offered at Rainier Vista, NewHolly, High Point and Yesler Terrace, although administration of the program has been transferred to the International District Housing Alliance.

Section 3 employment opportunities

"Section 3" is a federal requirement that work created by HUD-funded projects go, as much as possible, to residents and businesses in the project area. In FY 2004, SHA enhanced its Section 3 program by hiring a coordinator to make the connections between contractors and Section 3 eligible individuals and businesses. SHA's goals were to:

- increase the number of SHA residents hired and Section 3 businesses awarded contracts; and
- foster collaboration with other housing authorities and government agencies to generate a regional commitment to work with Section 3 businesses and hire Section 3 qualifying job candidates whenever possible.

In FY 2005, the Section 3 program made considerable progress on both fronts.

Employment and business development outcomes included:

- Forty-five Section 3 eligible individuals were placed in construction jobs at High Point and Rainier Vista. Of the 45, 15 were SHA public housing residents: ten from High Point, three from NewHolly and two from Yesler Terrace.
- SHA worked with the Seattle Parks Department to create a Capital Projects Construction Aide position and hire a qualified SHA resident into that position;
- The program has its challenges.
 - While SHA referred about 40 residents to Section 3 jobs, most contractors opted to hire more experienced people. SHA urged residents to participate in apprenticeships, but most declined because they wanted work right away.
 - The year began with a labor dispute between a contractor and subcontractor that resulted in several program participants who had been hired by the subcontractor losing their jobs. Beginning in January 2005, most of these displaced workers were rehired by other contractors.
- All SHA Request for Proposals now give extra points to Section 3 respondents (see Section V).
- Several MWBE-certified businesses were recruited to the Small Works roster and lists for notification of other contracting opportunities.
- SHA and the King County and Tacoma Housing Authorities are working together to share Section 3 information and processes, building toward a regional collaboration that could mean Section 3 certification of a business by one public agency would be recognized by other agencies. SHA has also approached the City of Seattle about its participation in such a collaborative;

- Contact was made with Sound Transit to discuss possible collaboration on apprenticeships; and
- SHA worked with the Northwest Labor Employment Law Office (LELO) to monitor SHA's Section 3 activities to help demonstrate SHA's commitment to Section 3 to the broader community.

About 30 percent of SHA's 580 employees were hired while they lived in SHA housing; another ten percent were low-income people living elsewhere in the community.

SHA maintains an on-line registry on *seattle-housing.org* so that residents can apply for clerical and landscaping positions.

In FY 2005, 48 percent of SHA hires were Section 3 eligible individuals: Twenty-five public housing residents were hired into SHA jobs. Two were hired as Property Manager trainees at NewHolly. They will gain on-the-job work experience that will enable them to apply for future property management positions with SHA or other property managers. Another four were hired as Maintenance Technicians at NewHolly, Rainier Vista and High Point.

Leveraged funds

Partner agency financial resources that complement employment services almost doubled from FY 2004, to \$169,000. Quite often, leveraged funds or services enable participants to maintain their jobs or housing. In FY 2005, SHA saw a dramatic shift in types of funds leveraged. Childcare, for the first time since leveraged funds have been documented, ranked second in dollars leveraged.

Funding Type	Amount Leveraged
Education/tuition/books	\$44,916
Childcare	39,700
Business development	34,394
Homeownership	27,230
Emergency funds	9,469
Job training	5,206

Funding Type	Amount Leveraged
Utilities, phone and cell phone	3,875
Training wages (youth)	1,217
Christmas/Holiday	1,000
Union dues	900
Rent assistance	800
Clothing	370
Transportation	178
Food	30
Total:	\$169,285

Family Self-Sufficiency

When the FY 2005 plan was written, FSS enrollment was 333, and the plan expected new enrollment to bring participation up to 438 during the year. However, based on the FY 2004 program review by Abt Associates and Phinney, Neal, SHA chose to focus on quality over quantity and reduced total FSS enrollment to meet desired case manager/client ratios, for 250 HCV and 50 public housing participants. At the end of FY 2005, 191 HCV and 20 public housing participants were enrolled. New clients are being enrolled as participants graduate, terminate or leave the program after reaching the income limits.

The decline in enrollment was so steep because many participants reached the end of their contracts and King County Housing Authority absorbed a large group of participants who had ported into its jurisdiction. Enrollment in public housing FSS had been allowed to decline through attrition over most of the year, until a case manager could be brought on board.

Late in the year, SHA received funding for an additional staff person to recruit, enroll and provide case management for public housing FSS participants. SHA had applied for this funding during FY 2004.

FSS outcomes

Of the 59 FSS graduates in FY 2005:

- 57 increased their income from employment.

- 33 who entered FSS with no income from wages had employment income when they graduated.
- 37 left TANF and obtained employment.
- 14 more than doubled their household income, 10 more than tripled it, and 19 more than quadrupled their total income.

As shown in the chart below, many graduates were well on their way out of poverty.

FSS household income as a percent of area median		
Income Group	On entry	On exit
< 30%	51	10
30%-50%	7	30
50%-80%	1	18
80%-100%	0	1

FSS participant job types	Number
Business/clerical	21
Construction/trades	3
Medical-all levels	9
Professional	2
Retail/service/hospitality	6
Self-employed	3
Service paraprofessional	7
Social Services	8

Three participants started businesses:

- One started a cleaning services business.
- One is pursuing her dream of becoming a fashion designer.
- The third has started a sewing and alterations business.

FSS program review update

A revived Family Self-Sufficiency Program Coordinating Committee (PCC) met in June. Twenty-three members committed to working with the FSS Program. The whole PCC will meet annually. One of the four subcommittees (employment and training, small business, homeownership and support services) will meet each quarter to provide updates on services, coordinate resources and make recommendations on issues facing FSS.

Other elements of the program review have been implemented, including:

- Revised interim withdrawal policies with more staff oversight of withdrawals;
- Improved record-keeping practices;
- More case management attention tailored to each family's needs;
- More specific contracts with participants;
- Improved communication within SHA and with neighboring housing authorities concerning participants who port in or out of Seattle; and
- Improved accounting systems.

Family Self-Sufficiency homeownership activities are described above in Section VI.

Community Building

Research shows that community building results in connectedness, or *social capital*. Social capital results in healthier communities. Healthier communities are less demanding to manage, and members of healthy communities have more support to become self-sufficient. To guide community building efforts, SHA developed a definition of community building as a process that:

- increases resident self-sufficiency;
- improves quality-of-life;
- increases integration; and
- maximizes resources through promoting social networks and effective community partnerships.

SHA has embraced National Community Building Network principles, which include: integrate community development and human service strategies, start from local conditions, build on community strengths, support families and children, foster broad participation, forge partnerships through collaboration,

require racial equity and value cultural strengths.

SHA currently employs six Community Builders and a VISTA Volunteer dedicated to this work. Community building in action has resulted in increased resources and self-help capacity in SHA communities. Following are examples of community building initiatives during FY 2005:

NewHolly Multicultural Communication Club: For the past two years, several NewHolly residents have been working together on the *Many Neighbors, Many Stories* project funded by a Seattle Department of Neighborhoods Race Relations and Social Justice Grant. This project involves cross-cultural neighbor-to-neighbor interviews, cultural workshops and research leading to a small booklet about the stories of NewHolly residents, which is to be published in the winter of 2005. The book includes key phrases in Amharic, Tigrinya, Somali, Oromo, Khmer, Vietnamese, Spanish, Chinese and Blackfoot, as well as basic cultural tips designed to promote greater interaction among neighbors. The group hopes to use the book as a starting point for community discussion circles.

High Point traffic concerns: With many more large construction trucks traveling High Point streets, concerned neighbors joined together in school and community meetings to call for reduced speeds, increased signage, improved enforcement and education about safe walking routes for children.

Improvement of school crossing signage and crosswalk enhancement were the first goals for the neighborhood. Parent and community groups, brought together by SHA, conducted an awareness campaign and collected signatures on a petition to the City of Seattle that quickly resulted in achieving these goals.

The partnerships formed in this effort led SHA to bring together a much larger coalition including: the three elementary schools that

serve High Point, Denny Middle School, Seattle Public Schools, City of Seattle Office of the Mayor, and Police and Transportation Departments. Feet First, Cascade Bicycle Club, University of Washington and other state and local public officials.

The coalition developed a proposal for the Washington State Department of Transportation *Safe Routes to School* program. The project, which has been approved and is awaiting funding, is called *Go!* and will result in enhanced education, enforcement and community involvement in pedestrian and bicycle safety.

Educating residents about Medicare changes: The new Medicare prescription drug program is complex. Seniors may be adversely affected if they are not properly enrolled in a timely manner with the right company. SHA, City of Seattle Aging and Disability Services, Community Psychiatric Clinic, Social Security Administration and Seattle-King County Senior Services are working together on coordinated outreach efforts to ensure residents, especially those with limited English skills, are aware of and understand the nuances of the program and receive the information they need to enroll in a plan that meets their needs.

Resident participation funds

SHA received \$25 per occupied public housing unit, or about \$121,000 for Resident Participation Funds. During FY 2005, SHA and 15 duly-elected public housing council representatives developed and signed a Memorandum of Agreement on the use of the funds to support:

- *The Voice* monthly newspaper for public housing residents: Produced by Neighborhood House, *The Voice* reports on community events, SHA policies or management and other issues of concern to low-income people. This year more residents wrote articles for *The Voice* than in

previous years. The paper reaches a wide audience and is a primary means of communication between SHA and residents.

- *Resident councils:* Resident Participant Funds paid for office supplies, election supplies, interpretation at council meetings and council meeting flyer delivery in large public housing communities.
- *Diversity and multiculturalism training for resident leaders:* Five community council leaders participated in a two-day training called Undoing Institutional Racism. This training reviews the root causes of institutional racism and gives participants tools to identify and address it in their communities and daily work.

NewHolly Neighborhood Campus

During FY 2005, SHA continued to build partnerships with service providers to help ensure the availability of on-site services. South Seattle Community College, Atlantic Street Center (youth and family programs), Seattle Public Library, Seattle Public Schools-computer lab, Catholic Community Services (youth tutoring) and Neighborhood House (Head Start) continued to provide services at the Campus throughout the year.

Service enhancements underway at year end included:

- World Vision entered into an agreement with SHA to lease offices at the Campus, starting in spring 2006, to provide family and youth services to residents of NewHolly and the broader community.
- Atlantic Street Center has agreed to lease a larger space at the Campus from which to provide services when that space becomes available in early 2006.

One challenge SHA and the collaborative faced was identifying a new childcare provider who would serve children at all income levels. Despite diligent efforts to identify a provider through a Request for Proposals, the

new provider serves few children coming from low-income homes.

One measure of the success of the campus collaborative also represents an on-going challenge. Popular programs such as youth and adult tutoring, English as a Second Language, Head Start and citizenship classes have long waiting lists even before all the homes in Phase II and Othello Station are completed. This requires members of the collaborative to work more closely with off-site agencies in the area to develop referral relationships, as well as doing what they can to expand their on-site capacity.

Governance and representation in mixed-income communities

The public housing councils at Rainier Vista and High Point phased out during the year. At High Point, a new community association for all community members will replace the council once more new homes are leased or purchased. At Rainier Vista, the former public housing council started transforming itself into a council that serves community members of all incomes and housing types.

Community builders continued to promote more organic community organizing through affinity groups and informal gatherings (e.g., block parties, weekly seniors gathering, Vietnamese Tea Time), as well as interaction with existing neighborhood groups in the City of Seattle neighborhood council system.

Targeting services

Mental health case management: Mental health case managers continue to provide extensive services to residents in SHA public housing highrises. Community Psychiatric Clinic (CPC) spent over 900 hours in FY 2005 in outreach and engagement, enrolled over 190 residents in case management and responded to incidents, on average, within four hours. One hundred percent of evictions referred to CPC were prevented.

Complementing the mental health case management was the comprehensive case management provided by City of Seattle Aging and Disability Services. During FY 2005, 13 case managers provided over 1,578 residents with case management services and referrals to meet their supportive service needs. Eviction prevention continues to be a major focus of the Case Management Program. Intervention and additional services help residents stay in independent housing or move to more appropriate settings. In FY 2005, the Case Management Program saw 219 referrals, only seven of which resulted in evictions.

Computer services for disabled and elderly residents: In late FY 2005, SHA received a HUD Neighborhood Networks Grant for support and operations of the Special Technology Access Resource (STAR) Center located at Center Park. This three-year \$300,000 grant will provide public housing residents with access to technology to help them bridge the digital divide. SHA has contracted with Digital Promise to provide computer classes, assistance with assistive technology devices for people with disabilities and referrals and support to employment service providers to meet these goals.

SECTION X: OTHER INFORMATION REQUIRED BY HUD

This section documents SHA Board of Commissioners approval of this MTW Annual Report in Board Resolution No. 4812 (attached).

The appendices following this report include some materials required by HUD and some to further explain or illustrate SHA's activities during the year. They are:

Appendix A: Audited Comprehensive Annual Financial Report for FY 2004, dated January 7, 2005.

Appendix B: Households and Applicant Demographics

Appendix C: Amended Public Housing Rent Policy (Resolution 4785)

Appendix D: Amended Housing Choice Voucher Policies (Resolution 4784)

Appendix E: Consolidated Financial Statements

Appendix F: Capital Activities

Appendix G: Vacancy by Community

Appendix H: Affirmative Fair Marketing Policy and Report

Appendix I: SHA's Five-Year Strategic Plan: Remaining Committed in Times of Change

Appendix J: Recommendations from Human Services Funding Strategic Plan Study

RESOLUTION NO. 4812

RESOLUTION APPROVING THE MOVING TO NEW WAYS
ANNUAL REPORT FOR FISCAL YEAR 2005

WHEREAS, on January 13, 1999, the Seattle Housing Authority (SHA) executed a Moving to Work Agreement with the U.S. Department of Housing and Urban Development (HUD) that provides SHA with the authority to investigate and adopt new policies and to use HUD funding flexibly to maximize the effectiveness of SHA's programs and resources; and

WHEREAS, to better describe the scope of this Moving to Work opportunity, the name of Seattle's demonstration has been changed to Moving To new Ways (MTW); and

WHEREAS, the MTW Agreement requires that SHA develop an Annual MTW Report for each fiscal year that provides information on SHA's performance during the previous fiscal year; and

WHEREAS, the MTW Annual Report for Fiscal Year 2005 must be submitted to HUD by December 31, 2005; and

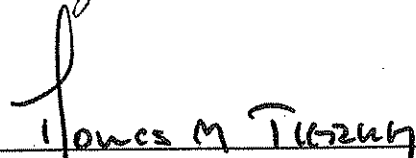
WHEREAS, a Board Resolution approving this MTW Annual Report must be included in the MTW Annual Report submission provided to HUD.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the Seattle Housing Authority approves the MTW Annual Report for Fiscal Year 2005, substantially in the form attached.

ADOPTED by a majority of members of the Board of Commissioners and signed by me in open session in authentication of its passage this 19th day of December, 2005.


Chair

CERTIFIED BY:


Secretary-Treasurer

APPENDIX A: AUDITED COMPREHENSIVE FINANCIAL REPORT FOR FY 2004

THE UNITED STATES OF AMERICA

DEPARTMENT OF JUSTICE

The Housing Authority
of the
City of Seattle, Washington

**Comprehensive
Annual Financial
Report**

For the Fiscal Year Ended
September 30, 2004



1. The first part of the report
is devoted to a general
description of the project.

2. The second part of the report
describes the results of the
experiments.

3. The third part of the report
contains a discussion of the
results.

4. The fourth part of the report
contains a summary of the
results.

**HOUSING AUTHORITY OF THE CITY OF SEATTLE,
WASHINGTON**

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2004

**Issued by
Department of Finance & Information Technology
Dick Woo, Director**

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Comprehensive Annual Financial Report

As of and for the year ended September 30, 2004

Table of Contents

<u>Exhibit</u>		<u>Page</u>
	SECTION I - INTRODUCTORY SECTION:	
	Authority Officials (principal)	i
	Authority Organization Chart	ii
	Transmittal Letter	iii-viii
	Government Finance Officers Association of the United States and Canada (GFOA) September 30, 2003 Certificate	ix
	SECTION II - FINANCIAL SECTION:	
	INDEPENDENT AUDITORS' REPORT	1-2
	MANAGEMENT'S DISCUSSION AND ANALYSIS	3-9
	BASIC FINANCIAL STATEMENTS:	
A-1	Statements of Net Assets	12-15
A-2	Statements of Revenues, Expenses and Changes in Net Assets	16-17
A-3	Statements of Cash Flows	18-19
	Notes to Basic Financial Statements	20-69
	COMBINING FUND STATEMENTS AND SCHEDULES:	
B-1	Operating Fund: Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	72
C-1	Low Rent Fund: Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	74
D-1	Section 8 Fund: Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	76
E-1	Local Housing Fund: Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	77

		<u>Page</u>
	Senior Housing Fund:	
F-1	Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	78
	Non-Major Funds:	
G-1	Combining Statement of Net Assets	80-83
G-2	Combining Statement of Revenues, Expenses and Changes in Net Assets	84-85
G-3	Combining Statement of Cash Flows	86-87
G-4	Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	88
	Notes to Combining Fund Statements and Schedules	89-90
	Component Units:	
H-1	Combining Statement of Net Assets	92-93
H-2	Combining Statement of Revenues, Expenses and Changes in Net Assets	94
H-3	Combining Statement of Cash Flows	96-97
	Cost Certificates:	
	WA19-P001-501-01	98
	WA19-R001-501-02	99

Table

SECTION III – STATISTICAL SECTION (UNAUDITED):

	Financial Information:	
1	Operating Fund Expenses by Function	102
2	Operating Expenses by Function – Primary Government	103
3	Operating Revenues by Source – Primary Government	104
4	Nonoperating Revenues by Source – Primary Government	105
5	Schedule of General Revenue Bond Coverage	106-107
6	Schedule of Bond Debt Service Coverage	108
	Demographics:	
7	Tenant Demographics: Population Statistics	110-111
8	Property Characteristics and Dwelling Unit Composition	112-114

**The Housing Authority of the
City of Seattle, Washington**

Introductory Section

Section I

THE UNIVERSITY OF CHICAGO
LIBRARY

1964

1964

HOUSING AUTHORITY OF THE CITY OF SEATTLE, WASHINGTON
Principal Officials

Commissioners as of September 30, 2004

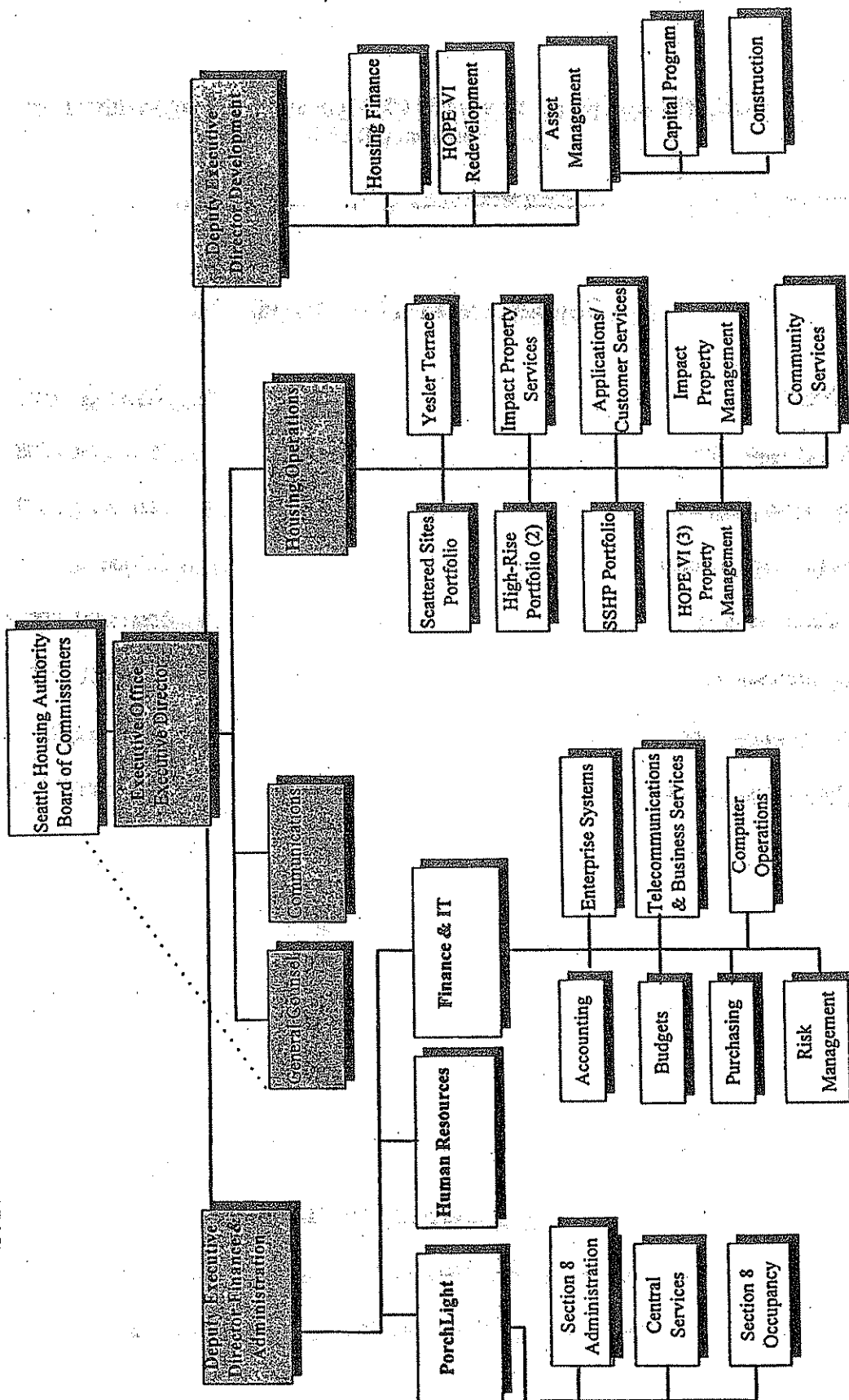
<u>Name</u>	<u>Term Expires</u>
David Bley, Commissioner	March 20, 2008
Bettylou Valentine, Commissioner	March 20, 2007
Al Winston Jr., Commissioner	October 1, 2006
Peter Moy, Commissioner	March 20, 2005
Judith Fay, Commissioner	March 20, 2006
Marie Cook, Commissioner	October 1, 2006
Jennifer Potter, Commissioner	March 20, 2007

Administrative Staff

Tom Tierney, Secretary-Treasurer/Executive Director

Dick Woo, Director, Finance & Information Technology

SEATTLE HOUSING AUTHORITY ORGANIZATION CHART



**Location**

120 Sixth Avenue North, Seattle, Washington

Mailing Address

P.O. Box 19028, Seattle, Washington 98109-1028

Telephone: 206 615-3300

TDD: 1-800-833-6384 www.seattlehousing.org

January 7, 2005

Members of the Board of Commissioners
Housing Authority of the City of Seattle, Washington

Introduction

We are pleased to present the Seattle Housing Authority Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. This report was prepared by the Authority's Finance staff, and was audited by the international public accounting firm of KPMG LLP.

The data presented in this report is the responsibility of the management of the Authority. To the best of our knowledge and belief, the data as presented is accurate in all material aspects; is presented in a manner designed to fairly state the financial position and results of operations of the Authority; and all necessary disclosures have been included to enable the reader to gain a complete understanding of the Authority's financial affairs.

The CAFR is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the Authority's organizational chart, a list of principal officials, and the Government Finance Officers Association's (GFOA) Certificate of Achievement. The financial section includes the independent auditors' report on the basic financial statements, management's discussion and analysis, the basic financial statements and the combining, individual fund financial statements and schedules. The statistical section presents, on a multiyear basis, selected financial and demographic information for the Authority and its clients.

This report includes all funds and component units of the Authority. The Authority is an independent municipal entity created by the City of Seattle in 1939 pursuant to state law and the National Housing Act of 1937. Although it maintains close ties with the City in several respects, the Authority is not a component unit of the City, as defined by the pronouncements of the Governmental Accounting Standards Board, since the City is not financially accountable for the operations of the Authority, has no responsibility to fund its deficits or receive its surpluses, and has not guaranteed the Authority's debt.

The governing body of the Authority is its Board of Commissioners ("Board") and is comprised of seven members appointed by the Mayor of the City of Seattle. The Board appoints an Executive Director to administer the affairs of the Authority. The primary source of external funding for the Authority is the U.S. Department of Housing and Urban Development ("HUD"), which oversees the expenditures of most of the Low Rent and Section 8 funds. The primary objective of the Authority is to provide decent, safe and affordable housing for families who, due to economic hardship and/or disabilities, find it difficult or impossible to obtain housing in the private real estate market. A second objective is to assist these families in achieving self sufficiency. To accomplish these objectives, the Authority participates in a number of programs which are discussed in the Management's Discussion and Analysis and in the Notes to the Basic Financial Statements sections of this report.

Economic Condition and Outlook

The Authority's financial position is directly affected by the level of Federal appropriations for public housing operations and modernization. For the past several years, HUD has provided slightly less than 100% of the full operating subsidy required for the low rent public housing program nationwide. For fiscal year 2004, the operating subsidy was funded at 94.7%. However, the Authority's fiscal year 2005 operating subsidy is funded at 98.1%, while the operating subsidy level for fiscal year 2006 is expected to be less predictable due to potential changes in HUD's funding formula and fiscal year.

To implement the Authority's long-range plan for redeveloping several of its severely distressed public housing communities, the Authority has applied for and received HUD HOPE VI Urban Revitalization grant awards for the redevelopment of its Holly Park, Roxbury, High Point, and Rainier Vista communities. As part of the complete redevelopment of the Holly Park community which began in 1997, 871 units of severely distressed public housing units have been demolished in three phases. Upon completion, the formerly blighted community will be replaced with over 1,500 units of mixed-income rental and for-sale housing units, including 318 units of elderly assisted and independent living housing, and a campus of community facilities.

Phase one of the Holly Park redevelopment has been operating successfully since 1999 and consists of 305 units of newly constructed mixed-income rental housing and a new three building community complex which houses a neighborhood library, satellite college campus, internet-linked learning center, and childcare facilities. In addition, 148 units of single family homes were completed and sold as part of a homeownership program.

Phase two of the Holly Park redevelopment is substantially complete. This phase comprises of 96 units of mixed-income town homes located adjacent to a 318 unit "Elder Village", an assortment of senior housing complexes developed by not-for-profit entities with the assistance of the Authority. The Elder Village includes an assisted-living complex, an independent living apartment, and a HUD assisted Section 202 facility for frail elderly residents. The rental housing development in phase two which was completed in 2001, complements the 166 units of for-sale homes being built by the Authority and private developers. As of late 2004, only 21 for sale lots remained to be sold to private builders.

All Holly Park phase three rental housing units are expected to be completed in early 2005. Over the next several years, the Authority will have replaced all of the original public housing units with mixed income rental and homeownership units on site at the NewHolly community and at locations throughout the city, developed directly by the Authority and in partnership with not-for-profit housing agencies.

The Authority has also begun the redevelopment of its public housing communities at High Point and Rainier Vista. Upon completion of the redevelopment work which is scheduled in two phases over the next several years, the original public housing units located in these two communities will be replaced by almost 1,000 brand new affordable tax credit and public housing rental units. These two redeveloped communities will be complemented by the addition of for-sale homes, elderly assisted-living apartments, and community facilities such as public libraries, health clinics, and neighborhood grocery stores. Using its HOPE VI grant awards, the Authority is able to leverage low-income housing tax credit investments, tax exempt bond financing, and State grants to carry out the much needed revitalization of Rainier Vista and High Point. The Authority will complete phase one of the rental housing redevelopment in 2005, with phase two work beginning in mid- to late 2005.

The Authority has been highly successful over the past several years in competing for HUD capital dollars needed to modernize and redevelop its communities and their aging housing stock. In addition to the HUD Capital Projects Fund awards which averaged \$15 million annually, the Authority has received over \$140 million in HUD HOPE VI urban revitalization grants. Using these HUD funds, the Authority has succeeded in leveraging substantial amounts of other public and private financing for its redevelopment projects located in the neighborhoods of Roxbury, Holly Park, Rainier Vista, and High Point. The Authority has completed the Roxbury project, started work on Rainier Vista and High Point, and is well on its way to completing the final phase of the redevelopment at Holly Park.

The Authority plans to supplement its operating subsidy by actively competing for additional Federal funds for modernization, redevelopment and resident support activities. In fiscal year 2004, the Authority was awarded approximately \$13.6 million in HUD capital project funds for the modernization and improvement of public housing properties and various Resident Opportunities and Self Sufficiency (ROSS) grants. Although the Authority continues to depend upon HUD subsidies for its operations, rental income from its traditional property portfolio and from its debt-financed properties are becoming a significant and increasing portion of the Authority's operating revenue. For fiscal year 2005, rental income from all properties is expected to total \$18.5 million of the Authority's operating revenue. Additionally, each of the redeveloped mixed-income communities is expected to be self-sustaining once they are fully operational. Over time, the Authority plans to gradually reduce its traditional reliance on Federal support.

The economic condition in the Seattle metropolitan area generally tracks the national trend. While the economic down turn that began in 2001 has had a substantial impact on the businesses and employment employers in the Pacific Northwest, signs of a general recovery in terms of increased profitability, consumer spending, home sales, and employment have resurfaced in 2004. As of September 30, 2004 the unemployment rate in the Greater Seattle area remains high at 5.6%. Many of the Authority's residents and Section 8 participants who are employable have reported difficulty in finding jobs.

The Authority has continued to take an active asset management approach to managing its properties, treating each of them as a distinctive "product", with the goal of efficiently utilizing each property to its fullest potential for meeting our mission. This means the Authority will be reviewing the operations of each property to ensure that proposed capital improvements are good investments and the Authority's assets are managed effectively to fulfill the agency's mission.

The Authority is one of about 30 housing authorities across the country participating in the U.S. Department of Housing and Urban Development's (HUD) Moving to Work (MTW) Demonstration Program. Under this program, the Authority has a contract with HUD which exempts it from a multitude of HUD regulations and reporting requirements, and is allowed significant flexibility to combine its HUD funding for reallocation among its capital and operating programs. The Authority is taking full advantage of its participation in this program to test innovative methods designed to improve its delivery of housing services and to better meet local needs. The Authority will continue to take full advantage of its MTW participation to position itself as a successful asset manager for the 21st century. This will include redeveloping selected properties into self-sustaining mixed-income communities, evaluating service delivery options to ensure the Authority's costs are consistent with the best practices of the private sector, and utilizing cost standards in the budgeting process.

In 2001, the Authority's Board of Commissioners established a goal of acquiring 200 units of housing per year throughout the city. Over the past three years, the Authority has made numerous acquisitions pursuant to this goal. The stated goal is in addition to the Authority's commitment to replace low income

housing as a result of HUD funded revitalization activities such as the HOPE VI mixed-income housing development program.

Due to the dwindling housing redevelopment dollars at the Federal level, the Authority plans to carry out the majority of its current and future redevelopment activities on a mixed-financing basis. This will involve using funds leveraged from the Federal, State, and local governments, the sale of Federal low-income housing tax credits, and utilizing the Authority's tax exempt debt financing capacity. The Authority also plans to actively review its existing real estate holdings to ensure that all of its assets are managed in a cost effective and efficient fashion and are contributing to its overall mission of creating and sustaining decent, safe and affordable living environments for the low income people of Seattle.

Financial Information

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that the Authority's assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs and benefits require estimates and the exercise of judgments by management.

As a recipient of Federal and State financial assistance, the Authority is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the compliance staff of the Authority.

Single Audit: In compliance with the Single Audit Act Amendments of 1996, tests are made to determine the adequacy of the Authority's internal control structure, including that portion relative to Federal financial assistance programs, as well as to determine whether the Authority has complied with applicable laws and regulations. The Authority's single audit was carried out by the international public accounting firm of KPMG, LLP. The audit for the fiscal year ended September 30, 2004 indicated no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Control: The objective of budgetary controls maintained by the Authority is to ensure compliance with legal provisions embodied in the annual budgets approved by the Board of Commissioners.

Activities of the Operating Fund, certain Low Rent, Section 8, Senior Housing, Local Housing, and certain Nonmajor Funds are included in the Authority's annual budgeting process. The annual budgets are proposed by the Executive Director and submitted to the Board of Commissioners for approval. In accordance with the Authority's Moving to Work contract with HUD, the Authority's Low Rent, Capital Projects, and Section 8 program budgets are no longer submitted to HUD for approval. In their place, the Authority prepares an annual Moving to Work Demonstration Plan which is submitted to HUD for review and comment. During the year, budget revisions may be submitted to the Authority's Executive Director for approval as a result of changes in operations and estimates. Under the Authority's Moving to Work contract, HUD approval for Low Rent, Section 8, and Capital Project program related budget revisions are no longer required.

The Authority's budgetary controls are established at the account class or function level for all funds. Additional budget controls are set at the department level where revenue and expenses are reported on a monthly basis and reviewed formally during scheduled quarterly financial and portfolio review sessions attended by department managers and directors.

Component Units: The Authority has seven discretely presented component units as of September 30, 2004. Holly Park Limited Partnership was formed to develop and manage the operations of Phase I of the Holly Park Redevelopment Project. Othello Street Limited Partnership was formed to develop and manage Phase II of the Holly Park Redevelopment Project. Ravenna School Limited Partnership was formed with the purpose of rehabilitating Ravenna School Apartments under the Senior Housing program using low-income tax credits. Desdemona Limited Partnership was formed to develop and manage Phase III of the Holly Park Redevelopment Project. Escallonia Limited Partnership was formed to develop and manage Phase I of the Rainier Vista Redevelopment Project. High Point Limited North Limited Partnership was formed to develop and manage Phase I of the High Point Redevelopment Project. Ritz Apartments Limited Partnership was formed to rehabilitate and manage the Ritz Apartment building. All seven partnerships have a December 31st year end.

Cash Management: All funds invested by the Authority during fiscal year 2004 were placed in HUD approved investments, which are generally limited to U.S. Treasury, agencies, certificates of deposit, repurchase agreements, and the Washington State Local Government Investment Pool. The average yield on these investments was 1.9% during fiscal year 2004.

Risk Management: The Authority employs two professionally certified risk management staff and utilizes insurance and claims consultants to actively manage property, liability, and workers' compensation claims as well as other risks inherent in the Authority's normal course of business. The Authority is covered by the State of Washington workers' compensation program and maintains property insurance coverage in the amount of \$100 million with a deductible of \$50,000 per occurrence. The Authority participates in the Housing Authority Risk Retention Group (HARRG) to obtain stable and affordable general liability coverage; the Authority maintains general liability coverage at a combined limit of \$15 million, subject to a deductible of \$250,000 per occurrence and an annual stop loss aggregate of \$500,000. The Authority has continued to designate \$800,000 of its Low Rent fund balance as an insurance reserve and maintains a number of additional insurance policies in order to mitigate other business risks.

The Authority has, for the past several years, been the recipient of a nationwide Outstanding Risk Control Program Award from HARRG. In addition to the insurance coverage described above, the Authority's policy provides earthquake coverage of \$1 million per occurrence with a deductible of 5%. The Authority will continue to work diligently and prudently to balance our risks with the cost and availability of insurance coverage in the market place.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2003. This was the seventh consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

In 1999, after six straight years of designation as a high performing housing authority under HUD's Public Housing Management Assessment Program (PHMAP), the Authority became one of six participants under contract with HUD in its Moving to Work (MTW) Demonstration Program. Under this program, the Authority will retain its perfect score of 100, received under PHMAP, for purposes of competitive HUD grant applications.

Acknowledgments: The preparation of this report has been accomplished through the hard work of the Finance Department staff and the support of other staff members throughout the Seattle Housing Authority. We wish to thank the management and staff of KPMG LLP who provided the necessary expertise and technical assistance in organizing this report.

We would also like to take this opportunity, on behalf of the staff and residents of the Seattle Housing Authority, to acknowledge the members of the Board of Commissioners for their tireless support and guidance.

Respectfully submitted,


Tom Tierney
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Housing Authority
of the City of Seattle,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zella

President

Jeffrey R. Enos

Executive Director

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**The Housing Authority of the
City of Seattle, Washington**

Financial Section

Section II

1. The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research.

2. The second part of the report is a detailed description of the methodology used in the study. It includes information about the sample, the data collection methods, and the statistical analysis.

3. The third part of the report is a discussion of the results of the study. It compares the findings with the previous research and discusses the implications of the study.



KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Commissioners
Housing Authority of the City of Seattle:

We have audited the accompanying financial statements of each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of the Housing Authority of the City of Seattle, Washington (the Authority) as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Holly Park Limited Partnership, the Ravenna School Limited Partnership, the Othello Street Limited Partnership, the Desdemona Limited Partnership, or the Escallonia Limited Partnership, discretely presented component units of the Housing Authority of the City of Seattle, which represent 77 percent of the assets and 100 percent of the revenues of the discretely presented component units as of the for the year ended December 31, 2003. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of the Authority as of September 30, 2004, and the respective changes in its financial position and its cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

The management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining non-major fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The cost certificates for project WA19P00150101 and WA19R00150102 are supplemental information required by HUD. The combining non-major fund financial statements, budgetary comparison information and cost certificates have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

January 7, 2005

Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

The Housing Authority of the City of Seattle, Washington (the Authority) is proud to present its basic financial statements for the fiscal year ended September 30, 2004 which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP requires the inclusion of three basic financial statements: The Statement of Net Assets (balance sheet); the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. In addition, GAAP requires the inclusion of a Management's Discussion and Analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the basic financial statements.

As provided for under GAAP, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses including depreciation are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the Statement of Net Assets.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended September 30, 2004 with comparative data from the year ended September 30, 2003. Please read it in conjunction with the transmittal letter in the introductory section of this report and the Authority's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded liabilities at September 30, 2004 by \$283.1 million (net assets). Of this amount, \$49.4 million (unrestricted net assets) may be used to meet the Authority's ongoing obligations.
- Total net assets increased by \$23.7 million. This increase is primarily attributed to increases in capital assets acquired using federal grants received for the rehabilitation and redevelopment of the Authority's properties.
- Capital assets increased from \$280.5 million to \$300.7 million. During the year, the Authority acquired several properties which are accounted for in the Local Housing fund and the Non-Major funds and continued to capitalize costs incurred associated with the construction of Hope VI redevelopment projects.

- Notes receivable increased from \$43.4 million to \$65.2 million. The Authority has made loans to other low-income housing providers and to its component units that are redeveloping housing communities under the HOPE VI Redevelopment program.
- The Authority's total debt increased from \$103.2 million to \$118.1 million during the current fiscal year. The increase was due primarily to the issuance of additional tax-exempt bonds used for property acquisitions made during the year.

FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the Authority at the end of the fiscal year. The purpose of the statement of net assets is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end-of-year data for assets, liabilities and net assets (assets minus liabilities). Also shown is the sum of total liabilities and net assets which equals total assets.

Total assets of the Authority at September 30, 2004 and September 30, 2003 amounted to \$448,733,166 and \$400,432,757, respectively. Current assets are comprised of several categories. Equity in pooled cash and cash equivalents and investments include the Authority's cash and investments. Accounts receivable include tenant receivables and receivables from other governments. Prepaid expenses and inventories are also assets of the Authority. The noncurrent assets are certain investments, capital assets and notes receivable. Capital assets include land, buildings, construction in progress, and equipment; and are shown net of accumulated depreciation.

Total liabilities of the Authority are \$165,595,129 and \$141,010,522 at September 30, 2004 and September 30, 2003, respectively, and also include a current and noncurrent portion. Current liabilities include accounts payable and other accrued liabilities, funds held for others, deferred revenue, and the current portions of long term debt. A liability is considered to be current if it is due within one year. Noncurrent liabilities are made up of the long-term portion of the notes and bonds payable.

Net assets represent the Authority's equity, a portion of which is restricted for certain uses. Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt shows the Authority's equity in land, structures, construction in progress and equipment, net of related capital debt outstanding. The next net asset category is restricted net assets. These assets have external limitations on the way in which they may be used. The last category is unrestricted net assets. They are available to use for any lawful and prudent purpose of the Authority.

Condensed Statement of Net Assets

	September 30, 2004	September 30, 2003
Assets:		
Current assets	\$ 44,835,431	47,741,785
Noncurrent investments	27,251,021	28,840,530
Capital assets, net	300,731,249	280,495,038
Notes and other noncurrent receivables	75,915,465	43,355,404
Total assets	\$ 448,733,166	400,432,757
Liabilities:		
Current liabilities	\$ 54,657,035	45,751,315
Noncurrent liabilities	110,938,094	95,259,207
Total liabilities	165,595,129	141,010,522
Net assets:		
Invested in capital assets, net		
of related debt	204,283,445	177,298,605
Restricted	29,451,417	27,108,685
Unrestricted	49,403,175	55,014,945
Total net assets	283,138,037	259,422,235
Total liabilities and net assets	\$ 448,733,166	400,432,757

Statement of Revenues, Expenses, and Changes in Net Assets

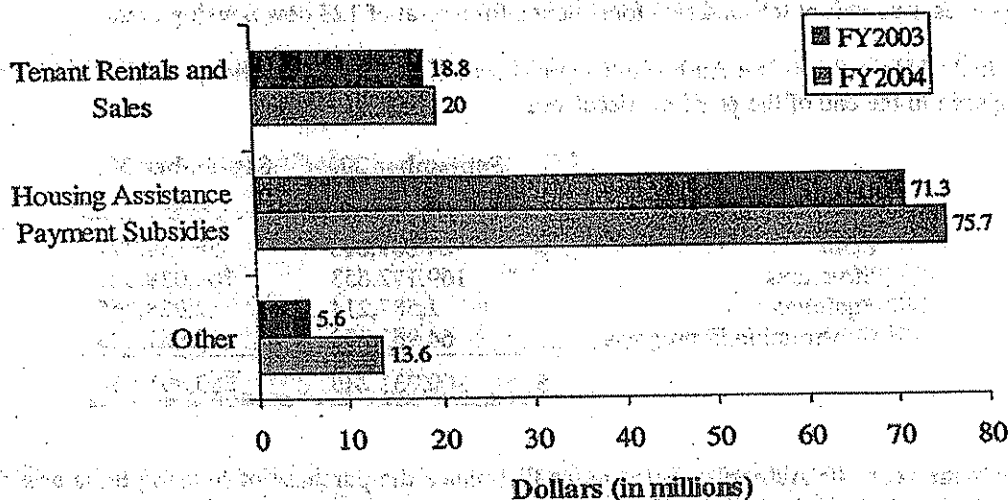
The purpose of the statement of revenues, expenses and changes in net assets is to present the revenues earned by the Authority, both operating and nonoperating, and the expenses incurred, operating and nonoperating and any other revenues, expenses, gains, and losses received or spent by the Authority. Generally, operating revenues are amounts received for providing housing to the Authority's tenants. Operating expenses are those paid to maintain the housing units and provide other services for the tenants of the Authority. Nonoperating revenues are funds received for which goods and services are not provided. Capital contributions represent funds received from HUD for Hope VI redevelopment and other capital activities.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Years ended	
	September 30, 2004	September 30, 2003
Operating revenues		
Tenant rentals and sales	\$ 19,990,759	18,776,018
Housing assistance payment subsidies	75,725,763	71,278,909
Other	13,619,504	5,622,755
Total operating revenues	109,336,026	95,677,682
Operating expenses		
Administration	26,024,065	28,035,895
Tenant services	2,242,826	2,877,693
Utility services	5,177,870	5,254,899
Maintenance	18,133,133	16,275,910
Housing assistance payments	71,889,208	65,156,211
Other	1,712,092	8,436,704
Depreciation and amortization	11,166,605	10,199,726
Total operating expenses	136,345,799	136,237,038
Operating loss	(27,009,773)	(40,559,356)
Net nonoperating revenues		
Intergovernmental	17,347,758	17,701,294
Interest expense	(4,811,281)	(4,002,391)
Interest income	2,422,737	2,079,480
Disposition of assets	(5,070,867)	(9,272,216)
Total nonoperating revenue	9,888,347	6,506,167
Change in assets before contributions	(17,121,426)	(34,053,189)
Capital contributions	40,837,228	45,193,125
Increase in net assets	23,715,802	11,139,936
Net assets, beginning of year	259,422,235	248,282,299
Net assets, end of year	\$ 283,138,037	259,422,235

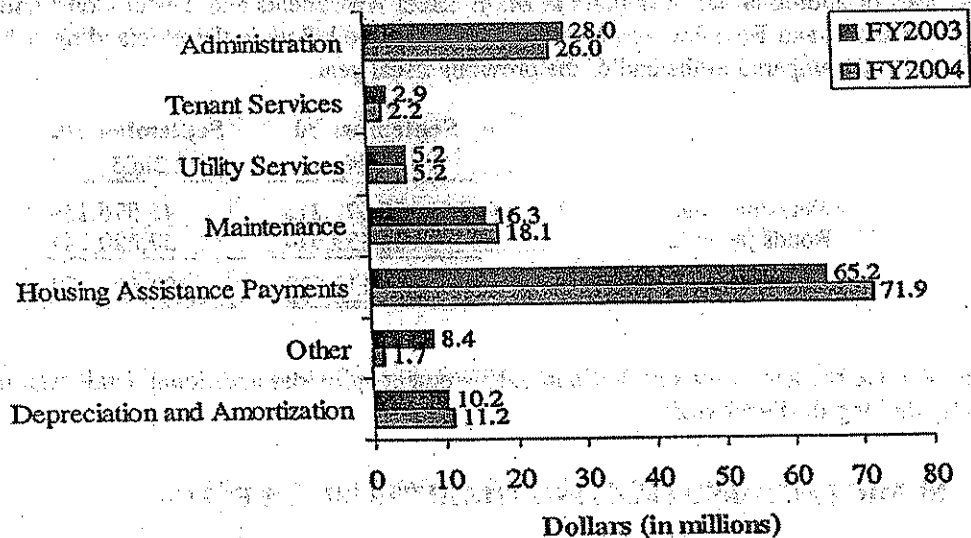
Operating revenues are shown in detail in the chart below:

Operating Revenues - Fiscal Years 2003 and 2004



Operating expenses are shown in detail in the chart below:

Operating Expenses - Fiscal Years 2003 and 2004



CAPITAL ASSET AND DEBT ADMINISTRATION

The Authority continued to add to its capital assets during fiscal 2004. The Authority purchased five apartment buildings with a total of 108 units, one triplex, three single-family homes, four commercial properties, two vacant lots and two four-plexes for a total of 123 new housing units.

The table below shows the Authority's capital assets, net of depreciation, at the end of the fiscal year as compared to the end of the previous fiscal year.

	September 30, 2004	September 30, 2003
Land	\$ 64,007,810	59,559,721
Structures	169,172,653	165,039,529
Equipment	2,587,214	2,928,365
Construction in progress	64,963,572	52,967,423
	<u>\$ 300,731,249</u>	<u>280,495,038</u>

During the year, the Authority issued notes to finance the purchase of housing units and construction of commercial space at the Rainier Vista and Yesler Terrace and HOPE VI Redevelopment projects at New Holly, Rainier Vista and High Point.

Note six to the Authority's basic financial statements provides additional detail regarding the changes in capital assets during the fiscal year.

In addition, the Authority issued two series of bonds totaling approximately \$5.7 million to finance the purchases of additional housing units at Main Street Apartments and Yesler Court and to refinance Lake City Commons and Bayview Tower. Shown in the table below is the outstanding debt at the end of the fiscal year as compared to the end of the previous fiscal year.

	September 30, 2004	September 30, 2003
Notes payable	\$ 55,671,215	45,576,188
Bonds payable	62,439,614	57,620,244
	<u>\$ 118,110,829</u>	<u>103,196,432</u>

Note seven to the Authority's basic financial statements provides additional detail regarding the debt changes during the fiscal year.

ECONOMIC FACTORS AFFECTING THE AUTHORITY'S FUTURE

Federal appropriation level for HUD programs such as Section 8 and Public Housing Operating Subsidies and the various capital programs continues to have a major impact on the Authority's financial position. Federal housing dollars make up the largest source of revenue for the Authority. During fiscal year 2004, the Authority earned nearly \$93.1 million in federal dollars for its operating programs and \$40.8 million for its capital projects. This represents approximately 88% of total Authority revenues and contributions for the year. In addition, a majority of the Authority's \$300.7 million of capital assets as of September 30,

2004 were acquired or developed over the years with the assistance of HUD financial support. Such assistance typically comes with use restrictions and generally limits the Authority's ability to encumber or leverage debt financing against the HUD properties in its portfolio.

Over the next several years, housing authorities across the country are challenged with the prospect of a continued decline in federal support. Factors contributing to the funding uncertainty are attributable to the record federal budget deficit, the significant expenditures associated with military actions abroad, and the Administration's changed priorities for affordable rental housing and subsidies.

Cost of housing in the Greater Seattle area is the highest in the State and is among the most expensive in the nation. The economic downturn has continued to fuel the need for affordable housing. During the past year, the Federal Reserve approved a series of quarter point federal funds rate increases, in attempt to head off inflationary pressures. Long-term interest rates remain low by historic standards and the Authority plans to continue to expand and improve its affordable housing stock through tax-exempt debt financing.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for addition information should be addressed to Janet Hayes, Corporate Controller, at 120 Sixth Avenue North, Seattle, WA 98109.

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1. The first step in the process of the investigation is to identify the problem or issue that needs to be addressed. This involves gathering information about the situation and determining the scope of the investigation.

Basic Financial Statements

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Net Assets

September 30, 2004

	Operating Fund	Low Rent Fund	Section 8 Fund
Assets			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 32,622	501,474	—
Restricted cash	—	851,367	719,643
Equity in pooled investments	1,057,866	26,182	1,860,626
Accounts receivable:			
Tenant rentals and service charges	—	174,871	—
Other	632,831	220,494	394,884
Due from:			
Other funds	2,621,937	1,377,586	2,029,899
Other governments	—	11,134,769	1,913,569
Inventory and prepaid items	32,705	361,439	31,334
Restricted investments	3,581	642,093	—
Net investment in direct financing, current portion	—	—	—
Deferred charges	855,201	—	—
Other	208,125	64,902	—
Total current assets	5,444,868	15,355,177	6,949,955
Noncurrent assets:			
Equity in pooled investments	621,287	15,376	1,092,749
Restricted investments	605,493	377,102	—
Due from other funds	160,856	10,583,511	—
Net investment in direct financing	—	—	—
Capital assets:			
Land	6,743,560	21,726,828	—
Structures	13,556,336	191,937,819	—
Equipment	1,721,170	9,804,293	451,076
Construction in progress	1,340,795	62,924,466	551,661
Less accumulated depreciation	(5,479,351)	(138,616,310)	(288,603)
Capital assets, net	17,882,510	147,777,096	714,134
Notes receivable	—	210,000	—
Notes receivable from component units	—	52,767,272	—
Total noncurrent assets	19,270,146	211,730,357	1,806,883
Total assets	\$ 24,715,014	227,085,534	8,756,838

See accompanying notes to basic financial statements.

Exhibit A-1

	Local Housing Fund	Senior Housing Fund	Non-Major Funds	Primary Government Total	Component Units
\$	835,029	250	344,494	1,713,869	4,174,928
	1,257,916	—	295,702	3,124,628	1,717,818
	—	727,372	763,821	4,435,867	—
	156,970	4,450	19,423	355,714	25,883
	80,283	92,216	2,463,525	3,884,233	21,176
	—	1,817,054	3,236,564	11,083,040	—
	—	—	204,437	13,252,775	—
	122,293	9,158	101,698	658,627	97,415
	1,563,937	43,218	623,991	2,876,820	24,255,099
	675,990	—	—	675,990	—
	1,445,499	—	200,141	2,500,841	949,284
	—	—	—	273,027	—
	<u>6,137,917</u>	<u>2,693,718</u>	<u>8,253,796</u>	<u>44,835,431</u>	<u>31,241,603</u>
	—	427,187	448,593	2,605,192	—
	22,514,504	25,382	792,844	24,315,325	52,690,839
	—	—	—	10,744,367	—
	330,504	—	—	330,504	—
	17,691,960	10,996,397	6,849,065	64,007,810	—
	55,363,282	44,463,296	17,770,501	323,091,234	55,029,306
	59,559	800,218	660,187	13,496,503	1,842,001
	90,810	—	55,840	64,963,572	14,268,657
	(3,888,577)	(11,796,443)	(4,758,586)	(164,827,870)	(7,283,938)
	<u>69,317,034</u>	<u>44,463,468</u>	<u>20,577,007</u>	<u>300,731,249</u>	<u>63,856,026</u>
	133,176	—	11,430,923	11,774,099	—
	—	131,115	498,612	53,396,999	—
	<u>92,295,218</u>	<u>45,047,152</u>	<u>33,747,979</u>	<u>403,897,735</u>	<u>116,546,865</u>
\$	<u>98,433,135</u>	<u>47,740,870</u>	<u>42,001,775</u>	<u>448,733,166</u>	<u>147,788,468</u>

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Net Assets

September 30, 2004

	Operating Fund	Low Rent Fund	Section 8 Fund
Liabilities and Net Assets			
Current liabilities:			
Accounts payable:			
Vendors and contractors	\$ 751,379	11,490,107	302,436
Other	14,090	2,459,729	719,643
Accrued liabilities	498,263	1,343,355	193,469
Due to other funds	—	10,100,286	20,847
Current portion of long-term debt	1,725,493	8,116,187	—
Deferred revenue	—	1,460,000	103,752
Total current liabilities	2,989,225	34,969,664	1,340,147
Noncurrent liabilities:			
Due to other funds	—	—	—
Security deposits	5,575	767,403	—
Long-term debt, less current portion:			
Notes payable	899,216	7,982,650	—
Bonds payable	8,412,565	—	—
Accrued compensated absences	9,701	1,114,592	240,472
Total noncurrent liabilities	9,327,057	9,864,645	240,472
Total liabilities	12,316,282	44,834,309	1,580,619
Net assets:			
Invested in capital assets, net of related debt	6,845,236	131,678,257	714,134
Restricted for debt service	609,074	1,793,449	—
Unrestricted (deficit)	4,944,422	48,779,519	6,462,085
Total net assets	12,398,732	182,251,225	7,176,219
Total liabilities and net assets	\$ 24,715,014	227,085,534	8,756,838

See accompanying notes to basic financial statements.

Exhibit A-1, Cont.

	<u>Local Housing Fund</u>	<u>Senior Housing Fund</u>	<u>Non-Major Funds</u>	<u>Primary Government Total</u>	<u>Component Units</u>
\$	108,982	93,535	329,007	13,075,446	2,283,182
	12,819	1,294	60,813	3,268,388	1,752,551
	774,102	85,880	830,996	3,726,065	1,666,848
	143,530	—	818,377	11,083,040	—
	6,876,882	—	4,885,634	21,604,196	3,967,085
	5,471	—	330,677	1,899,900	—
	<u>7,921,786</u>	<u>180,709</u>	<u>7,255,504</u>	<u>54,657,035</u>	<u>9,669,666</u>
	3,276,487	—	7,467,880	10,744,367	—
	263,981	68,600	45,184	1,150,743	102,075
	25,498,934	—	679,625	35,060,425	36,854,912
	47,249,638	—	5,784,005	61,446,208	84,555,000
	48	106,505	1,065,033	2,536,351	—
	<u>76,289,088</u>	<u>175,105</u>	<u>15,041,727</u>	<u>110,938,094</u>	<u>121,511,987</u>
	<u>84,210,874</u>	<u>355,814</u>	<u>22,297,231</u>	<u>165,595,129</u>	<u>131,181,653</u>
	11,354,607	44,463,468	9,227,743	204,283,445	15,479,029
	25,336,357	—	1,712,537	29,451,417	4,289,117
	(22,468,703)	2,921,588	8,764,264	49,403,175	(3,161,331)
	<u>14,222,261</u>	<u>47,385,056</u>	<u>19,704,544</u>	<u>283,138,037</u>	<u>16,606,815</u>
\$	<u>98,433,135</u>	<u>47,740,870</u>	<u>42,001,775</u>	<u>448,733,166</u>	<u>147,788,468</u>

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Statements of Revenues, Expenses and Changes in Fund Net Assets
Year ended September 30, 2004

	Operating Fund	Low Rent Fund	Section 8 Fund
Operating revenues:			
Tenant rentals and sales	\$ —	9,651,974	—
Housing assistance payment subsidies	—	—	75,725,763
Other	2,991,317	2,506,595	822
Total operating revenues	<u>2,991,317</u>	<u>12,158,569</u>	<u>75,726,585</u>
Operating expenses:			
Administration	635,848	14,032,303	5,828,235
Tenant services	196,216	1,304,550	18,866
Utility services	178,771	3,786,636	—
Maintenance	515,249	12,873,044	664,120
Housing assistance payments	—	—	71,889,208
Other	45,971	613,487	43,187
Depreciation and amortization	796,028	7,358,667	83,249
Total operating expense	<u>2,368,083</u>	<u>39,968,687</u>	<u>78,526,865</u>
Operating income (loss)	623,234	(27,810,118)	(2,800,280)
Nonoperating revenue (expense):			
Intergovernmental	—	15,079,571	—
Interest expense	(604,153)	(17,598)	—
Interest income	173,167	25,131	119,671
Disposition of assets	—	(3,876,167)	—
Total nonoperating revenue (expenses)	<u>(430,986)</u>	<u>11,210,937</u>	<u>119,671</u>
Change in net assets before contributions and transfers	192,248	(16,599,181)	(2,680,609)
Contributions:			
Capital contributions	—	40,837,228	—
Partners' contribution	—	—	—
Total contributions	<u>—</u>	<u>40,837,228</u>	<u>—</u>
Transfers:			
Transfers in	2,730,507	15,539,559	—
Transfers out	—	(16,089,500)	(1,719,848)
Total transfers	<u>2,730,507</u>	<u>(549,941)</u>	<u>(1,719,848)</u>
Change in net assets	<u>2,922,755</u>	<u>23,688,106</u>	<u>(4,400,457)</u>
Total net assets at beginning of year	<u>9,475,977</u>	<u>158,563,119</u>	<u>11,576,676</u>
Total net assets at end of year	<u>\$ 12,398,732</u>	<u>182,251,225</u>	<u>7,176,219</u>

See accompanying notes to basic financial statements.

Exhibit A-2

	Local Housing Fund	Senior Housing Fund	Non-Major Funds	Primary Government Total	Component Units
\$	5,594,153	4,277,369	467,263	19,990,759	2,471,498
	—	—	—	75,725,763	—
	220,505	115,455	7,784,810	13,619,504	39,732
	5,814,658	4,392,824	8,252,073	109,336,026	2,511,230
	1,127,022	1,813,656	2,587,001	26,024,065	891,752
	—	5,167	718,027	2,242,826	—
	562,195	422,501	227,767	5,177,870	134,156
	1,263,552	1,368,812	1,448,356	18,133,133	624,823
	—	—	—	71,889,208	—
	687,763	256,704	64,980	1,712,092	39,595
	1,430,688	800,558	697,415	11,166,605	1,886,167
	5,071,220	4,667,398	5,743,546	136,345,799	3,576,493
	743,438	(274,574)	2,508,527	(27,009,773)	(1,065,263)
	29,690	—	2,238,497	17,347,758	—
	(3,747,669)	—	(441,861)	(4,811,281)	(1,736,162)
	1,168,301	44,730	891,737	2,422,737	62,163
	171,925	—	(1,366,625)	(5,070,867)	—
	(2,377,753)	44,730	1,321,748	9,888,347	(1,673,999)
	(1,634,315)	(229,844)	3,830,275	(17,121,426)	(2,739,262)
	—	—	—	40,837,228	—
	—	—	—	—	759,714
	—	—	—	40,837,228	759,714
	2,935,249	—	18,974,412	40,179,727	—
	—	—	(22,370,379)	(40,179,727)	—
	2,935,249	—	(3,395,967)	—	—
	1,300,934	(229,844)	434,308	23,715,802	(1,979,548)
	12,921,327	47,614,900	19,270,236	259,422,235	18,586,363
\$	14,222,261	47,385,056	19,704,544	283,138,037	16,606,815

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Cash Flows

Year ended September 30, 2004

	Operating Fund	Low Rent Fund	Section 8 Fund
Cash flows from operating activities:			
Receipts from residents	\$ —	10,093,633	—
Receipts from other sources	3,078,144	3,302,793	76,409,919
Receipts from other funds	—	8,687,229	1,053,670
Advances from affiliates	—	—	—
Payments to vendors	(1,187,776)	(25,917,009)	(75,135,654)
Payments to employees	(335,246)	(8,814,176)	(3,367,447)
Payments to other funds	(1,662,610)	(7,836,550)	(554,345)
Net cash provided by (used in) operating activities	(107,488)	(20,484,080)	(1,593,857)
Cash flows from noncapital financing activities:			
Operating grants received	—	14,583,187	—
Transfer from other funds	2,730,507	15,539,559	—
Transfer to other funds	—	(16,089,500)	(1,719,848)
Net cash provided by (used in) noncapital financing activities	2,730,507	14,033,246	(1,719,848)
Cash flows from capital and related financing activities:			
Capital and partner contributions	—	42,609,434	—
Acquisition and construction of capital assets	(2,670,160)	(53,655,730)	(676,947)
Proceeds from dispositions of property and equipment	—	33,136,329	—
Payment on notes receivable	—	1,493,774	849,838
Issuance of notes receivable	—	(19,984,226)	—
Proceeds from long-term borrowings	1,355,787	9,301,659	—
Mortgage costs paid	—	—	—
Payments on notes and bonds	(363,530)	(8,639,877)	—
Interest payments	(607,475)	(252,809)	(5,793)
Net cash provided by (used in) capital and related financing activities	(2,285,378)	4,008,554	167,098
Cash flows from investing activities:			
Interest received	158,529	132,114	123,007
Increase in net investment of direct financing	—	—	—
Maturity of investment securities	2,529,322	5,384,984	8,026,236
Purchases of investment securities	(3,042,266)	(3,394,485)	(5,155,325)
Net cash provided by (used in) investing activities	(354,415)	2,122,613	2,993,918
Increase (decrease) in cash and cash equivalents	(16,774)	(319,667)	(152,689)
Cash and cash equivalents at beginning of year	49,396	1,672,508	872,332
Cash and cash equivalents at end of year	\$ 32,622	1,352,841	719,643
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 623,234	(27,810,118)	(2,800,280)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	796,028	7,358,667	83,249
Changes in assets and liabilities:			
Accounts receivable	(1,627,498)	1,583,434	1,182,285
Inventory and prepaid items	459	(5,798)	3,719
Deferred charges	—	—	—
Accounts payable	597,946	(1,519,744)	(45,701)
Accrued compensated absences	(39,167)	(124,020)	(17,129)
Other	(458,490)	33,499	—
Total adjustments	(730,722)	7,326,038	1,206,423
Net cash provided by (used in) operating activities	\$ (107,488)	(20,484,080)	(1,593,857)

See accompanying notes to basic financial statements.

Exhibit A-3

Local Housing Fund	Senior Housing Fund	Non-Major Funds	Primary Government Total	Component Units
\$ 5,646,805	4,351,074	472,406	20,563,918	2,465,222
300,715	53,409	7,611,533	90,756,513	1,218,456
721,604	—	1,842,301	12,304,804	—
—	—	—	—	733,035
(3,430,197)	(2,765,803)	(2,746,550)	(111,182,989)	397,970
(375,139)	(1,049,760)	(1,832,737)	(15,774,505)	(675,562)
—	(336,779)	(2,375,953)	(12,766,237)	—
<u>2,863,788</u>	<u>252,141</u>	<u>2,971,000</u>	<u>(16,098,496)</u>	<u>4,139,121</u>
29,690	—	2,129,981	16,742,858	—
2,935,249	—	18,974,412	40,179,727	—
—	—	(22,370,379)	(40,179,727)	—
<u>2,964,939</u>	<u>—</u>	<u>(1,265,986)</u>	<u>16,742,858</u>	<u>—</u>
—	—	—	42,609,434	759,714
(12,921,450)	(678,375)	(16,278,252)	(86,880,914)	(12,228,230)
2,201,603	—	14,908,544	50,246,476	—
39,770	—	52,074	2,435,456	—
—	—	(3,676,818)	(23,661,044)	—
12,079,937	—	5,094,451	27,831,834	64,305,065
—	—	—	—	(274,600)
(2,840,388)	—	(1,073,642)	(12,917,437)	(110,000)
(3,647,826)	—	(459,301)	(4,973,204)	(727,828)
<u>(5,088,354)</u>	<u>(678,375)</u>	<u>(1,432,944)</u>	<u>(5,309,399)</u>	<u>51,724,121</u>
1,198,700	42,776	132,738	1,787,864	62,163
(1,040,000)	—	—	(1,040,000)	—
4,379,551	1,591,807	5,535,659	27,447,559	4,170,660
(4,770,073)	(1,208,349)	(5,622,496)	(23,192,994)	(56,721,575)
<u>(231,822)</u>	<u>426,234</u>	<u>45,901</u>	<u>5,002,429</u>	<u>(52,488,752)</u>
508,551	—	317,971	337,392	3,374,490
1,584,394	250	322,225	4,501,105	2,518,256
\$ <u>2,092,945</u>	<u>250</u>	<u>640,196</u>	<u>4,838,497</u>	<u>5,892,746</u>
\$ 743,438	(274,574)	2,508,527	(27,009,773)	(1,065,263)
1,430,688	800,558	697,415	11,166,605	1,886,167
753,071	(352,336)	(757,363)	781,593	61,147
17,225	(1,374)	61,473	75,704	(27,937)
—	—	—	—	—
(35,148)	63,995	461,275	(477,377)	2,897,394
122	12,197	89,599	(78,398)	—
(45,608)	3,675	(89,926)	(556,850)	387,613
<u>2,120,350</u>	<u>526,715</u>	<u>462,473</u>	<u>10,911,277</u>	<u>5,204,384</u>
\$ <u>2,863,788</u>	<u>252,141</u>	<u>2,971,000</u>	<u>(16,098,496)</u>	<u>4,139,121</u>

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(1) Summary of Significant Accounting Policies

(a) Organization and Program Descriptions

The Housing Authority of the City of Seattle (Authority) was created in 1939 as a municipal corporation which derives its powers from Washington State (State) Law RCW 35.82. The Authority was created for the acquisition, development, modernization, operation, and administration of public housing programs. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income and elderly families in Seattle, Washington, and to operate its housing programs in accordance with Federal and State laws and regulations. The Authority's programs are administered through the U.S. Department of Housing and Urban Development (HUD) under provisions of the U.S. Housing Act of 1937, as amended.

The Authority, recognized by HUD as a high performing large housing authority, was selected to participate in HUD's newly created Moving to Work (MTW) Demonstration Program effective on January 13, 1999. The program allows the Authority an exemption from a multitude of HUD regulations and reporting requirements, and significant flexibility to combine its HUD funding for reallocation among the Authority's administrative, capital, and development activities.

The Authority's primary operations are comprised of a number of housing and grant programs as follows:

The Public Housing Program— which is recorded in the Low Rent fund, operates under HUD's Annual Contributions Contract (ACC) SF-151 and consists of the operations of low-rent public housing properties totaling 5,481 units. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. The properties are acquired, developed, and modernized under HUD's Capital Funds Program and through HUD Hope VI Urban Revitalization Grants. Financing for the properties is obtained through bond issues and grants. Funding of the program is provided by Federal annual contributions and operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Section 8 Fund— consists of several Section 8 housing programs including the Section 8 Housing Choice Voucher program, the Section 8 New Construction and Substantial Rehabilitation program and the Moderate Rehabilitation program. The Housing Choice Voucher program provides rental housing assistance subsidies in support of 7,861 housing units. The purpose of the program is to provide decent and affordable housing to low-income families and elderly and handicapped persons wherein rental assistance is provided by HUD. The associated units are maintained and managed by private landlords.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The Section 8 New Construction and Substantial Rehabilitation program also operates under HUD's ACCs and consists of the operations of 3 housing developments totaling 181 units. The purpose of the program is to construct or purchase and rehabilitate rental housing units to provide decent and affordable housing to low-income, elderly and handicapped individuals whereby rental assistance is provided by HUD. The developments are maintained and managed by the Authority. The Authority also administers the rental assistance payments for 7 privately owned projects with 513 units under this program. The Authority earns a fee for administering the annual contributions from HUD. Funding of the program is provided by Federal housing assistance contributions and tenant rentals.

The Section 8 Moderate Rehabilitation program operates under HUD's ACC S-0068K and consists of the operations of 760 privately-owned family housing units. The purpose of the program is to rehabilitate substandard rental housing units and provide decent and affordable housing to low-income families whereby rental assistance is provided by HUD. The associated developments are maintained and managed by private landlords. Funding of the program is provided by Federal housing assistance contributions.

The Seattle Senior Housing Fund – operates approximately 1,000 of the 1,091 units acquired and developed under a 1981 City bond issue. The purpose of this program is to provide low rent housing for the elderly, handicapped and disabled. Funding for the management and operation of these nonsubsidized housing units is provided exclusively from rent income.

The Local Housing Fund – operates approximately 773 units of low-income housing. These projects are financed primarily through bond issues and receive no external funding. On-site management for these units may be done by the Authority or contracted with other management companies.

The basic financial statements of the Housing Authority of the City of Seattle have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are described below.

(b) Reporting Entity

The governing body of the Authority is its Board of Commissioners (Board), composed of seven members appointed by the Mayor of the City of Seattle (City). The Authority is not financially dependent on the City and is not considered a component unit of the City.

As defined by GAAP, the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (c) the component unit is financially dependent on the primary government.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Component units are reported as part of the reporting entity under either the blended or discrete method of presentation. Blending involves merging the component unit data and data with the primary government. The discrete method presents the financial statements of the component unit outside of the basic financial statement totals of the primary government. There are two situations where blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and (2) when the component unit serves the primary government exclusively, or almost exclusively.

As of and for the year ended September 30, 2004, the Authority has seven component units, the Holly Park Limited Partnership (HPLP), the Ravenna School Limited Partnership (RSLP), the Othello Street Limited Partnership (OSLP), Desdemona Limited Partnership (DLP), the Escallonia Limited Partnership (ELP), the High Point North Limited Partnership (HPNLP), and the Ritz Apartments Limited Partnership (RALP).

The HPLP is a legally separate entity that was formed to develop and manage the operations of the rental units in phase one of the Holly Park redevelopment project. The Holly Park redevelopment project includes the demolition of the existing Seattle Housing Authority owned and managed Holly Park Public Housing Project and the building of new rental and home ownership housing units, new streets and infrastructure. Development activities are complete and the HPLP will continue to operate and manage the rental units. The HPLP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit. The Authority has leased the land for the Holly Park redevelopment project to the HPLP for a nominal amount under a noncancelable operating lease. The Authority's current investment in the partnership totals \$208,011 as of September 30, 2004. The Authority is the 0.1% general partner of the HPLP and is obligated to fund operating or other cash short falls up to \$750,000.

The Authority has agreements with the HPLP for providing social services to public housing residents and for providing management services to the partnership. Under the terms of the agreements, the Authority will earn 30% of net cash flows and up to 50%, of cash flows of the partnership, respectively. As of September 30, 2004, the HPLP did not have positive cash flows; therefore, no fees were earned.

The RSLP is a legally separate entity formed in 1998 to take advantage of low-income housing tax credits needed to finance the planned rehabilitation of the Ravenna School Apartments. The 39-unit apartment complex, owned by the Authority under its Senior Housing Program, has been leased to RSLP for a nominal amount under a 99-year operating lease. The Authority is the 0.01% general partner of the RSLP and also serves as developer of the \$1.5 million rehabilitation project. In addition, the Authority will continue to serve as property manager of the Ravenna School Apartments. In July 1999, a tax credit investor was formally admitted as a limited partner to the RSLP. The RSLP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit. The project was completed during fiscal year 2000. Authority is the 0.01% general partner and is obligated to fund operating deficits by contributing or loaning funds to the partnership.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The OSLP is a separate legal entity created on September 9, 1999 to undertake phase two of the redevelopment activities at the Holly Park community. Development activities are completed and the OSLP will continue to operate and manage the rental units. The Authority participates as the 0.01% managing general partner of the OSLP. During fiscal year 2000, a tax credit investor was admitted to the Partnership as a 99.99% limited partner. The OSLP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is presented as a discretely presented component unit. The Authority has leased the land for phase two of the Holly Park redevelopment project to the OSLP for a nominal amount under a noncancelable operating lease. The Authority is the 0.01% general partner of the OSLP and is obligated to fund an operating deficit up to \$250,000. As of September 30, 2004, the OSLP owed the Authority for developer fees in the amount of \$201,315.

The DLP is a separate legal entity created on May 10, 2002 to undertake phase three of the redevelopment activities at the Holly Park community. The DLP admitted a partner to this partnership on August 7, 2003. The DLP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is presented as a discretely presented component unit. The Authority has leased the land for phase three of the Holly Park redevelopment project to the DLP for a nominal amount under a noncancelable operating lease. The Authority is the 0.01% general partner of the DLP and is obligated to fund an operating deficit without limitation as to amount. As of September 30, 2004, the DLP owed the Authority for developer fees in the amount of \$294,580.

The ELP is a separate legal entity created on May 10, 2002 to undertake phase one of the redevelopment activities at the Rainier Vista community. During fiscal year 2004, the ELP admitted a tax credit investor, to the Partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the ELP. The ELP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is presented as a discretely presented component unit. The Authority has leased the land for phase one of the Rainier Vista redevelopment project to the ELP for a nominal amount under a noncancelable operating lease. The Authority is obligated to fund operating or other cash short falls up to \$500,000, with the obligated amount gradually decreasing to zero over the project's first three years of operations.

The HPNLP is a separate legal entity created on October 31, 2003 to undertake phase one of the redevelopment activities at the High Point community. During fiscal year 2004, the HPNLP admitted a tax credit investor, to the Partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the HPNLP. The HPNLP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is presented as a discretely presented component unit. The Authority has leased the land for phase one of the High Point redevelopment project to the HPNLP for a nominal amount under a noncancelable operating lease. The Authority is obligated to fund operating or other cash short falls of the partnership. The amount the Authority is obligated to fund is unlimited prior to the project's stabilization date as defined in the limited partnership agreement, and is limited to \$1,200,000 after the project's stabilization date. The amount is further limited to \$750,000 after 10 consecutive years of the partnership's operating subsidy being fully funded.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The RALP is a separate legal entity created on August 12, 2004 to undertake rehabilitation of the Ritz Apartments. During fiscal year 2004, the RALP admitted a tax credit investor, to the partnership as a 99.99% limited partner. The Authority participates as the 0.01% managing general partner of the RALP. The RALP is fiscally dependent on the Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is presented as a discretely presented component unit. The Authority has leased the building to RALP under a capital lease. The partnership agreement does not specify the obligation of the general partner in regards to funding operating shortfalls.

All seven component units have a December 31 year-end. The component units financial statements are presented as of December 31, 2003 and may be obtained by contacting the Authority. The RALP was not in existence as of December 31, 2003, therefore financial statements are not available.

As the general partner of the component units, the Authority's liability is not limited to its initial investment and/or any future funding requirement.

(c) *New Accounting Standards to be Adopted in future years*

During the year ending September 30, 2004, three new statements were issued by the Government Accounting Standards Board (GASB) that will impact the Authority's financial reporting in future years. Statement No. 40 – *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3* is effective for period beginning after June 14, 2004. Statement No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* is effective for periods beginning after December 15, 2004. Statement No. 44 – *Economic Conditions Reporting: The Statistical Section* is effective for periods beginning after June 15, 2005.

Also during the year, Statement No. 43 – *Financial Reporting for Postemployment Benefits Other Than Pension Plans* and Statement No. 45 – *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* were issued. These statements do not impact the Authority because Authority does not offer any postemployment benefits at this time.

(d) *Fund Financial Statements*

Fund financial statements report detailed information about the Authority. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets, revenues, and expenses. The focus of the fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

A fund is considered major if it is the primary operating fund or if the total assets, liabilities, revenues, or expenses of that individual enterprise fund are at least 10% of the corresponding total for all enterprise funds. Major funds of the Authority are Operating, Low Rent, Section 8, Local Housing, and Senior Housing funds. The Operating fund accounts for all financial resources of the general agency, except those required to be accounted for in another fund. The Low Rent fund accounts for the Public Housing program which includes Capital Funds program and Hop VI redevelopment projects funded by HUD. The Section 8 fund accounts for the Section 8 Housing

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Choice Voucher program, the Section 8 New Construction and Substantial Rehabilitation program and the Moderate Rehabilitation program. The Senior Housing fund accounts for the Seattle Senior Housing program and the Local Housing fund accounts for housing acquired without funding from HUD or other governments.

(e) *Basis of Accounting*

The financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting whereby all revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation of assets is recognized in the statements of revenues, expenses and net assets. All assets and liabilities associated with the operation of the Authority are included in the statement of net assets. The principal operating revenues of the Authority are rental revenues received from residents. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Operating expenses for the Authority include the costs of operating housing units, administrative expenses and depreciation on capital assets. Intergovernmental revenues (operating subsidies) and housing assistance payments from HUD are received by the Authority for each unit rented to qualified tenants in the public housing and Section 8 programs. As these payments represent grant receipts in a proprietary fund, the amounts are classified as nonoperating revenues when earned. All other revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating revenues and expenses or as contributions of capital.

The Authority reports deferred revenue on its statement of net assets. Deferred revenues arise when potential revenue has not been earned in the current period. Deferred revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements and/or the occurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, all proprietary funds must follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, subsequent to that date, proprietary funds must either choose (1) not to apply all new FASB standards (including amendments of earlier pronouncements), or (2) to continue to follow all new FASB pronouncements (unless they conflict with GASB guidance). The Authority has chosen not to apply new FASB standards subsequent to November 30, 1989.

(f) *Budgets*

Budgets are adopted on a GAAP basis of accounting. Annual appropriated budgets are adopted and all annual appropriations lapse at the Authority's year-end. Encumbrance accounting is not employed as an extension of formal budgetary control.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(g) *Pooled Cash and Investments*

The Authority accounts for its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires that most investments be reported at fair value. Fair value is determined based on quoted market prices for the investments. All of the Authority's investments are reported at fair value.

The Authority pools all cash and investments for the purpose of increasing its percentage of funds invested and average yield. The Authority has established separate investment pools for cash and cash equivalents and investments. These investment pools are displayed on the statement of net assets as "Equity in pooled cash and cash equivalents" and "Equity in pooled investments," respectively.

Income is allocated to the individual funds based on the fund's daily ownership percentage of the pooled balances. The Authority's policy is to classify pooled investments with an original maturity when purchased of 3 months or less as cash equivalents.

The Authority is authorized by HUD and its Board to invest in time deposits, certificates of deposit and obligations of the U.S. Government or its agencies and to enter into repurchase agreements. Repurchase agreements are secured by U.S. Treasury securities with a market value equal to or greater than the amount of the repurchase agreements. The Authority's investment policies provide for the ability to sell investments prior to the investments' contractual maturity.

(h) *Accounts Receivable - other*

Other accounts receivable represent various receivables including accrued interest on investments, accrued interest on notes receivable, receivables from other housing authorities for Section 8 Portability payments, receivables from component units for developer fees, and receivables from other funds that the Authority manages, but does not own.

(i) *Inventories and Prepaid Items*

Inventories are stated at cost and consist of expendable materials and supplies. Inventory items are expensed using the first-in, first-out method. Office supplies are expensed using a moving weighted average cost method. Maintenance materials are expensed using the first-in, first-out method. Prepaid items are for payments made by the Authority in the current year for services occurring in a subsequent fiscal year.

(j) *Net investment in direct financing*

The Authority has leased the building and related land of the Ritz Apartments to the Ritz Apartments Limited Partnership, a discretely presented component unit. The lease was determined to be a direct financing lease as it meets the following three criteria: (a) the fair value of the property is the same as its carrying amount, (b) the lease includes a bargain purchase clause and (c) collectibility of the minimum lease payments is reasonably predictable. The investment is shown as the net amount of the minimum lease payments and the unearned income.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(k) Deferred Charges

Deferred charges consist of debt issuance costs and bond discounts, which are amortized over the term of the related note or bond.

(l) Capital Assets and Depreciation

Capital assets are stated at historical cost. Maintenance and repairs are charged to current period operating expenses while improvements are capitalized. Upon retirement or other disposition of property and equipment the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are included in operating revenues and expenses. All capital assets with a value greater than \$1,000 and a useful life of over one year are capitalized. Assets acquired through contribution are recorded at the fair value on the date donated.

Capital assets are generally depreciated on the straight-line method over estimated useful lives as follows:

Structures	40 to 75 years
Equipment	3 to 10 years

(m) Accounts Payable - other

Other accounts payable includes payables for escrow accounts related to construction activities and the Section 8 Family Self-sufficiency program as well as miscellaneous payables related to payroll.

(n) Interfund Accounts

The Authority maintains a master paying and receiving account. All cash receipts and disbursements flow through this master account, except for disbursements to landlords under the Section 8 programs, which flow through a separate checking account. Other interfund activity includes interfund charges such as intercompany rent which cannot be eliminated. Interfund payables and receivables are used to account for ownership of the funds with the borrowing funds paying interest at the three-month Treasury Bill rate for borrowings in excess of \$5,000.

(o) Compensated Absences

Employees earn annual vacations at the rate of 96 hours per year. Additional lump sum hours are added on an annual basis on the employees' anniversary date. Unused vacation is allowed to accumulate to a maximum of 240 or 360 hours depending on the employees' date of hire. Employees are paid for all accumulated vacation pay upon termination.

The Authority recognizes and compensates employees for nine traditional holidays. Holiday pay is recorded as an expense when incurred.

Employees earn sick leave at a rate of 96 hours per year. Sick leave is allowed to accumulate with no maximum. Employees are compensated for accumulated unused sick leave at the rate of 25% upon termination, permanent disability or death.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Accruals are recorded at year-end for unused annual leave and unused sick leave based on balances of hours as of September 30, 2004.

(p) Management Fees

For the year ended September 30, 2004, the Bay View Tower Enterprise fund paid the Authority management fees of \$34,154, which is equal to 4.0% of net rental revenues received. Market House fund paid the Authority \$19,966, which is equal to 4.5% of net rental revenues. Market Terrace paid the Authority management fees of \$11,561 which is equal to \$1,051 per month. Such management fees are accounted for in the Authority's Operating fund. HUD regulates the amount of management fees that can be paid.

(q) Payments in Lieu of Taxes

Pursuant to an agreement between the Authority and the City of Seattle, the Low Rent fund and the Bay View Tower fund may make payments in lieu of taxes (PILOT). PILOT may also be provided to other taxing districts in which property is owned. For the year ending September 30, 2004 the Authority paid PILOT in the amount of \$215,034 from the Low Rent fund.

(r) Income Taxes

Income received or generated by the Authority is not subject to federal income tax pursuant to Internal Revenue Code Section 115. The Authority is exempt from state and local property taxes.

(s) Pension Plans

The Authority reports pensions in accordance with Statement No. 27 of the Governmental Accounting Standards Board (GASB 27), *Accounting for Pensions by State and Local Governmental Employers*. GASB 27 requires the Authority to record a net pension obligation (benefit) for the difference between the required and actual employer contributions to its pension plans.

(t) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(2) Deposits and Investments

(a) Deposits

As of September 30, 2004, the Authority's carrying amount of deposits was \$4,838,497 and the bank balance was \$4,940,115. The bank deposits are held with financial institutions and are entirely insured or collateralized and are classified as equity in pooled cash and cash equivalents on the statement of net assets. All deposits in excess of the FDIC insurance limit of \$100,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington. In addition to bank deposits, the Authority has \$2,500 held at the U.S. Post Office and \$5,137 in petty cash funds. All deposits are considered in risk category (1) as defined below.

(b) Investments

The Authority's investment policies require that all investments be made in accordance with the stated objectives of capital preservation, optimum liquidity, and return while conforming to all applicable statutes and regulations. The Authority has established a maximum maturity of three years for operating reserves and a maximum maturity of five years for replacement reserves.

Investments are categorized as either (1) insured or registered, and held by the Authority or its agent in the Authority's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name. As of September 30, 2004, all investments were held in categories (1), (2), or (3), or are not classified since the investments are not evidenced by securities that exist in physical or book entry form.

Investments in U.S. Treasury-backed short-term money market funds are investments held by the trustee in the Authority's name for bond issues in the Local Housing and Nonmajor funds.

	Category 1	Category 2	Category 3	Carrying amount	Fair value
U.S. Government and Agency Securities	\$ 22,530,295	—	—	22,530,295	22,530,295
Yield Agreement in Trust	—	2,134,840	112,677	2,247,517	2,247,517
Washington State Local Government Investment Pool	—	—	—	3,987,541	3,987,541
U.S. Treasury Money Market Investments	—	—	—	3,467,851	3,467,851
Certificates of Deposit	2,000,000	—	—	2,000,000	2,000,000
Other	—	—	—	—	—
Total investments	\$ 24,530,295	2,134,840	112,677	34,233,204	34,233,204

The Washington State Local Government Investment Pool and the U.S. Treasury Money Market Investments are not categorized because the investments are not evidenced by securities that exist in physical or book entry form.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The Authority invests a portion of its funds with the Washington State Local Government Investment Pool (LGIP) managed by the State Treasurer's office. The investments in this pool are comprised of repurchase agreements, government securities, and certificates of deposit. The LGIP operates in a manner consistent with the Security and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. As such the LGIP uses amortized cost to report net assets and share prices since that amount approximates fair value.

Since the Authority reports all of its investment at fair value, no additional disclosure is required under Government Accounting Standards Board Technical Bulletin No. 2003-1.

For the year ended September 30, 2004, the Authority made the following noncash adjustments to reflect the change in fair value of investments:

	<u>Amount</u>
Fund:	
Operating Fund	\$ 1,609
Low Rent Fund	392
Section 8	1,064
Local Housing Fund	967,284
Senior Housing Fund	1,168
Nonmajor Funds	<u>1,159</u>
Total increase in fair value	\$ <u>972,676</u>

The Authority intends to adhere fully to its investment policy which expressly prohibits the making of speculative or leveraged investments and requires that all investments be made prudently and with due care to ensure compliance with all statutes and regulations.

The Authority restricts its participation in money market mutual funds to those investing only in U.S. Treasury securities. However, the Authority's indirect exposure to any risks arising from derivative instruments utilized by such funds and programs are unknown.

(c) *Component Unit Deposits*

As of December 31, 2003, the component unit's carrying amount of deposits was \$5,892,746 and the bank balance was \$7,543,974. The bank balances held with financial institutions are entirely insured or collateralized and are classified as equity in pooled cash and cash equivalents on the statement of net assets. All deposits in excess of the FDIC insurance limit of \$100,000 are covered by the Public Deposit Protection Commission of the State of Washington, which is a multiple financial institution collateral pool, established under Chapter 39.58 of the Revised Code of Washington.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(d) Component Unit Investments

As of December 31, 2003, investments of \$76,945,938 were held in trust and restricted for the development of the component units' redevelopment projects and for the payment of principal and interest on the component units' bonds. The investments are guaranteed investment contracts collateralized by government investment securities. Investments are categorized as either (1) insured or registered, and held by the component unit or its agent in the component unit's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the component unit's name, or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the component unit's name. As of December 31, 2003, all investments were held in category (2) or (3).

	Category 2	Category 3	Carrying amount	Fair value
Yield Agreement in Trust	\$ —	53,279,104	53,279,104	53,279,104
U.S. Treasury Money Market Investments	23,666,834	—	23,666,834	23,666,834
Total investments	\$ 23,666,834	53,279,104	76,945,938	76,945,938

(3) Net Investment in Direct Financing

The Authority has leased the building and land of the Ritz Apartments to the Ritz Apartments Limited Partnership. The interest rate on the lease is 3% and the term of the lease is 75 years and will be paid according to a two-year schedule. The payment schedule on the lease is presented below:

	Payment amount	Carrying amount	Unearned income
2005	\$ 675,990	675,990	—
2006	364,010	330,504	33,506
	\$ 1,040,000	1,006,494	33,506

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(4) Restricted Assets

(a) Security Deposits

Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. The Authority held security deposits for residential tenants as well as commercial tenants as of September 30, 2004 as shown in the schedule below:

	Residential	Commercial	Total
Operating fund	\$ —	5,575	5,575
Low Rent fund	697,261	70,142	767,403
Local Housing fund	263,981	—	263,981
Senior Housing fund	68,600	—	68,600
Nonmajor funds	45,184	—	45,184
Total security deposits	\$ 1,075,026	75,717	1,150,743

(b) Required Reserves – Market House and Market Terrace funds

HUD requires the Market House and Market Terrace funds to maintain restricted investments equal to the required reserves. HUD must approve any release or disbursement of reserve funds in advance. Restricted investments for required reserves of \$217,388, and \$15,520 were held in the Market House fund and Market Terrace fund as of September 30, 2004.

(c) Bond Trust Funds and Mortgage reserves

As of September 30, 2004, funds held for bond trust funds and mortgage reserves are shown below:

	Balance
Operating fund:	
Investments are held in the Operating fund in trust for the Wakefield/PorchLight bonds and are restricted for the payment of principal and interest. The investments consist of notes, mortgages, and contracts and bear interest at approximately 7.3%.	\$ 603,499
Local housing and nonmajor funds:	
Cash and investments for the Villa Park bonds are restricted for the payment of bond principal and interest. Such investments consist of money market funds and bear interest at approximately 0.8%.	279,992
Investments for the Telemark bonds are restricted for the payment of bond principal and interest. Such investments consist of money market funds and bear interest at approximately 0.6%.	224,230

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	<u>Balance</u>
Investments for the Wedgwood bonds are restricted for the payment of bond principal and interest. Such investments consist of Government National Mortgage Association securities (GNMA) and bear interest at approximately 5.4%.	\$ 17,643,136
Investments of \$78,392 are held in the Local Housing fund and investments of \$141,519 are held in the nonmajor fund for the Market Terrace and Mary Avenue bonds. These funds are restricted for the payment of principal and interest and consist of money market funds bearing interest at approximately 0.5%.	219,911
Investments for the Montridge bonds are restricted for the payment of principal and interest. The investments consist of money market funds and bear interest at approximately 0.6%.	132,820
Investments for the Replacement Housing bonds are restricted for the payment of principal and interest. The investments consist of notes, mortgages and contracts and bear interest of approximately 3.9%.	753,636
Investments for the Longfellow Creek bonds are restricted for the payment of principal and interest. The investments consist of notes, mortgages and contracts and bear interest of approximately 0.6%.	472,551
Investments for the Wisteria Court bonds are restricted for the payment of principal and interest. The investments consist of GNMA securities and bear interest of approximately 5.2%.	4,141,274
Reserves are held for capital replacement for properties covered by the Replacement Housing bonds in money market accounts that bear 0.3% interest.	152,076
Reserves are held in restricted cash accounts for the mortgage on Wedgwood Estates and bear interest of approximately 0.4%.	448,690
Reserves are held in restricted cash accounts for the mortgage on Wisteria Court Apartments and bear interest of approximately 0.3%.	185,923
Investments are held for the Yesler Community Center Replacement Housing bonds and are restricted for the payment of principal and interest. The investments consist of notes, mortgages and contracts and bear interest at approximately 0.4%.	196,072
Investments are held for the Bayview Tower and Lake City Commons bonds. These funds are restricted for the payment of principal and interest and consist of money market funds bearing interest at approximately 1.0%.	752,780

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	<u>Balance</u>
Investments consisting of notes, mortgages, and contracts are held in trust for the Market House fund and are restricted for the payment of the principal and interest of the Multifamily Revenue Bonds, Series 1994. Interest rates range from 4.0% to 5.3%.	\$ 593,591
Restricted cash is held for the payment of principal and interest related to the mortgage on Main Street place II in a non-interest bearing account.	26,367
Restricted cash is held in money market accounts bearing interest at a rate of 1% for Levy properties for operating reserves and replacement reserves.	32,650
Replacement reserves are held for the Bayview Tower and Lake City Commons in money market funds bearing interest at 0.3%.	250,060
Total for all funds	<u>\$ 27,109,258</u>

(d) Other Restricted Funds

As of September 30, 2004, restricted cash amounts of \$906,661 are held in trust for the Family Self Sufficiency (FSS) program. Families in the Section 8 and Low Rent programs may sign up for the FSS program and any rent increase due to an increase in income may be deposited into an escrow account. The tenant may request reimbursement from the trust account for certain allowable expenditures.

Investments of \$251,792 are held in trust for the Tenant Trust Account program. Eligible public housing households in the Low Rent fund receive 30% of their monthly base rent amount over \$350 deposited to a Tenant Trust Account which may be used to enhance their ability to become economically self-sufficient and independent.

Restricted cash amounts of \$351,080 and \$1,062 are held in the Low Rent fund for retainage related to the Hope VI Development grants and other Capital programs, and Local Housing fund, respectively.

Restricted cash in the amount of \$49,961 are held in the Low Rent fund for the Individual Development Account (IDA) Program. This program is available to residents of Rainier Vista and offers participants a two to one match on their savings in the plan up to a maximum match of \$4,000. The program is funded by the Office of Trade and Economic Development.

Restricted cash in the amount of \$263,308 are held in the Low Rent fund for the Jobs Plus Program. This program offers a financial incentive to residents of Rainier Vista who are employed in the form of a savings account. Amounts equal to rent increases are credited to the account by the Authority and may be used for home ownership, continuing education, college education or small business.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(5) Notes Receivable

(a) Low Rent Fund

	Balance September 30, 2004
Due from Neighborhood House for the purchase of property at Rainier Vista. The note bears no interest and matures on or before August 31, 2054.	\$ 210,000
Local housing fund:	
Due from Housing Resources Group (HRG) related to the sale of the Cambridge building in July 2001 by the Local Housing fund. The note is secured by a deed of trust, bears interest at a rate of 5.6% and is payable May 1, 2007.	133,176
Nonmajor funds:	
Due from Stone View Village I Limited Partnership and Stone View Village II Limited Partnership. The notes bear interest at rates ranging from 0.5% to the lowest applicable federal rate as determined under the Internal Revenue Code of 1986 and all interest and principal is due in March and April of 2039.	1,373,835
Due from Lutheran Alliance to Create Housing (LATCH) Roxbury Limited Partnership. The note bears no interest for the first 30 years. Interest accrues beginning February 1, 2030 at 2% with annual payments of \$73,388 until the note matures on January 31, 2050.	1,200,000
Two notes due from the Low Income Housing Institute (LIHI), a Washington nonprofit corporation, and the Lakeview Apartments Limited Partnership. The note in the amount of \$494,600 bears interest at 3% annually and all interest and principal is due December 2040, if the project is operated according to the loan regulatory agreement. The note in the amount of \$42,405 bears interest at 6% annually and is due January 2016. Principal and interest payments of \$5,058 are due annually.	537,005
Due from the Plymouth Housing Group (PHG), a Washington nonprofit corporation. The loan bears interest at 1% annually and all principal and interest are due January 2041. Provided the borrower complies with the loan regulatory agreement, all principal and interest will be forgiven January 2041.	856,912

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The Authority has a note receivable in the amount of \$6,195,384 from the Othello Street Limited Partnership for phase two of the Holly Park redevelopment project. The note bears interest at 1% per annum and interest only payments on the outstanding principal balances are due to the Authority from available net cash flow beginning July 1, 2000. Remaining interest and principal are due on July 1, 2051. As of September 30, 2004, the amount of interest payable on the notes to the Authority was \$265,341.

The Authority has two notes receivable from the Desdemona Limited Partnership (DLP) for phase three of the Holly Park Redevelopment project. The note in the amount of \$8,335,227 bears interest at 3.0% per annum and interest only payments on the outstanding principal balance are due to the Authority from available net cash flow beginning March 1, 2006. The note in the amount of \$5,174,000 bears interest at 1% per annum and interest only payments on the outstanding principal balances are due to the Authority from available net cash flow beginning March 1, 2006. Remaining interest and principal on both notes are due on March 1, 2058. As of September 30, 2004, the amount of interest payable on the notes to the Authority was \$381,853.

The Authority has three notes receivable in the amounts of \$7,326,434, \$1,461,183 and \$906,325 from Escallonia Limited Partnership (ELP) as of September 30, 2004. The notes bear noncompounding interest at 1% per annum and mature in fiscal year 2044. Interest payments are due annually from available net cash flow beginning in the current fiscal year. Principal and any remaining unpaid interest are due at maturity. The Authority also has a non-interest bearing short-term note receivable in the amount of and \$299,826 from ELP as of September 30, 2004 payable from available net cash flows. As of September 30, 2004, the amount of interest payable on the notes to the Authority was \$161,996.

The Authority has notes receivable in the amounts of \$771,188 and \$2,373,268 from High Point North Limited Partnership (HPNLP) as of September 30, 2004. The notes bear compounding interest at 1% per annum and mature in fiscal year 2054. Interest payments are due annually from available net cash flow beginning in the current fiscal year. Principal and any remaining unpaid interest are due at maturity. The Authority also has a non-interest bearing short-term note receivable in the amount of \$1,483,738 from HPNLP as of September 30, 2004 payable from available net cash flows. As of September 30, 2004, the amount of interest payable on the notes to the Authority was \$79,039.

The Authority has a note receivable from the Ritz Apartments Limited Partnership (RALP) in the amount of \$100,000 as of September 30, 2004. The note bears interest at 1% per annum and matures on March 30, 2054. Interest and principal are due annually from available cash flow in the year beginning October 1, 2005. As of September 30, 2004, the amount of interest payable on the note to the Authority was \$83.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(6) Capital Assets

The following is a summary of changes in capital assets of the Authority for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 59,559,721	6,370,330	(1,922,241)	64,007,810
Construction in Progress	52,967,423	60,951,580	(48,955,431)	64,963,572
Total capital assets not being depreciated	112,527,144	67,321,910	(50,877,672)	128,971,382
Depreciable capital assets:				
Structures	326,887,128	18,264,050	(22,059,944)	323,091,234
Equipment	12,591,942	1,294,954	(390,393)	13,496,503
	339,479,070	19,559,004	(22,450,337)	336,587,737
Less accumulated depreciation for:				
Structures	(161,847,599)	(9,971,366)	17,900,384	(153,918,581)
Equipment	(9,663,577)	(1,470,037)	224,325	(10,909,289)
Total accumulated depreciation	(171,511,176)	(11,441,403)	18,124,709	(164,827,870)
Total capital assets, being depreciated, net	167,967,894	8,117,601	(4,325,628)	171,759,867
Total capital assets, net	\$ 280,495,038	75,439,511	(55,203,300)	300,731,249

The following is a summary of capital assets by major fund for the Authority as of September 30, 2004:

	Operating	Low rent	Section 8	Local Housing
Land	\$ 6,743,560	21,726,828	—	17,691,960
Structures	13,556,336	191,937,819	—	55,363,282
Equipment	1,721,170	9,804,293	451,076	59,559
Construction in progress	1,340,795	62,924,466	551,661	90,810
Accumulated depreciation	(5,479,351)	(138,616,310)	(288,603)	(3,888,577)
Total	\$ 17,882,510	147,777,096	714,134	69,317,034

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Senior Housing	Nonmajor funds	Total
Land	\$ 10,996,397	6,849,065	64,007,810
Structures	44,463,296	17,770,501	323,091,234
Equipment	800,218	660,187	13,496,503
Construction in progress	—	55,840	64,963,572
Accumulated depreciation	(11,796,443)	(4,758,586)	(164,827,870)
Total	\$ 44,463,468	20,577,007	300,731,249

The following is a summary of changes in capital assets of the Operating fund for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 6,743,560	—	—	6,743,560
Construction in Progress	—	1,340,795	—	1,340,795
Total capital assets not being depreciated	6,743,560	1,340,795	—	8,084,355
Depreciable capital assets:				
Structures	12,256,856	1,299,480	—	13,556,336
Equipment	1,691,285	29,885	—	1,721,170
	13,948,141	1,329,365	—	15,277,506
Less accumulated depreciation for:				
Structures	(3,484,434)	(599,133)	—	(4,083,567)
Equipment	(1,209,745)	(186,039)	—	(1,395,784)
Total accumulated depreciation	(4,694,179)	(785,172)	—	(5,479,351)
Total capital assets, being depreciated, net	9,253,962	544,193	—	9,798,155
Total capital assets, net	\$ 15,997,522	1,884,988	—	17,882,510

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of changes in capital assets of the Low Rent fund for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 21,642,916	136,201	(52,289)	21,726,828
Construction in Progress	52,943,683	46,867,690	(36,886,907)	62,924,466
Total capital assets not being depreciated	74,586,599	47,003,891	(36,939,196)	84,651,294
Depreciable capital assets:				
Structures	204,092,988	5,593,095	(17,748,264)	191,937,819
Equipment	9,115,111	1,058,744	(369,562)	9,804,293
	213,208,099	6,651,839	(18,117,826)	201,742,112
Less accumulated depreciation for:				
Structures	(141,391,434)	(6,275,109)	17,263,082	(130,403,461)
Equipment	(7,334,811)	(1,083,557)	205,519	(8,212,849)
Total accumulated depreciation	(148,726,245)	(7,358,666)	17,468,601	(138,616,310)
Total capital assets, being depreciated, net	64,481,854	(706,827)	(649,225)	63,125,802
Total capital assets, net	\$ 139,068,453	46,297,064	(37,588,421)	147,777,096

Included in the construction in progress dispositions and transfers for the Low Rent fund are \$3.6 million of infrastructure costs for roads and sewers that were transferred back to the City of Seattle related to the Hope VI Redevelopment project at Holly Park. Also included in this category are dispositions of \$12 million for the Holly Park homes that the Authority built and subsequently sold as another part of the redevelopment project, \$13.0 million in dispositions from the Capital Projects program to expense uncapitalizable cost, and approximately \$6.0 million of transfers to other funds. Dispositions of structures for the Low Rent fund includes demolition of units at High Point in the amount \$12.5 million, carried out as part of the Hope VI redevelopment activities at the site as well as the write-off of soft costs and other noncapitalizable items.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of changes in capital assets of the Section 8 fund for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Construction in Progress	\$ —	551,661	—	551,661
Depreciable capital assets:				
Equipment	325,790	125,286	—	451,076
Accumulated depreciation	(205,354)	(83,249)	—	(288,603)
Total capital assets, depreciated net	120,436	42,037	—	162,473
Total capital assets, net	\$ 120,436	593,698	—	714,134

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of changes in capital assets of the Local Housing fund for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 13,922,763	4,047,752	(278,555)	17,691,960
Construction in Progress	23,740	67,070	—	90,810
Total capital assets not being depreciated	13,946,503	4,114,822	(278,555)	17,782,770
Depreciable capital assets:				
Structures	47,960,612	8,796,780	(1,394,110)	55,363,282
Equipment	49,711	9,848	—	59,559
	48,010,323	8,806,628	(1,394,110)	55,422,841
Less accumulated depreciation for:				
Structures	(2,137,708)	(1,723,870)	23,204	(3,838,374)
Equipment	(49,190)	(1,013)	—	(50,203)
Total accumulated depreciation	(2,186,898)	(1,724,883)	23,204	(3,888,577)
Total capital assets, being depreciated, net	45,823,425	7,081,745	(1,370,906)	51,534,264
Total capital assets, net	\$ 59,769,928	11,196,567	(1,649,461)	69,317,034

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of changes in capital assets of the Senior Housing fund for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 10,996,397	—	—	10,996,397
Construction in Progress	—	—	—	—
Total capital assets not being depreciated	10,996,397	—	—	10,996,397
Depreciable capital assets:				
Structures	43,820,009	643,287	—	44,463,296
Equipment	780,467	35,088	(15,337)	800,218
	44,600,476	678,375	(15,337)	45,263,514
Less accumulated depreciation for:				
Structures	(10,366,187)	(740,450)	—	(11,106,637)
Equipment	(645,036)	(60,107)	15,337	(689,806)
Total accumulated depreciation	(11,011,223)	(800,557)	15,337	(11,796,443)
Total capital assets, being depreciated, net	33,589,253	(122,182)	—	33,467,071
Total capital assets, net	\$ 44,585,650	(122,182)	—	44,463,468

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of changes in capital assets of the nonmajor funds for the year ended September 30, 2004:

	Balance October 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance September 30, 2004
Capital assets, not being depreciated:				
Land	\$ 6,254,085	2,186,377	(1,591,397)	6,849,065
Construction in Progress	—	12,124,364	(12,068,524)	55,840
Total capital assets not being depreciated	6,254,085	14,310,741	(13,659,921)	6,904,905
Depreciable capital assets:				
Structures	18,756,663	1,931,408	(2,917,570)	17,770,501
Equipment	629,578	36,103	(5,494)	660,187
	19,386,241	1,967,511	(2,923,064)	18,430,688
Less accumulated depreciation for:				
Structures	(4,467,836)	(632,804)	614,098	(4,486,542)
Equipment	(219,441)	(56,072)	3,469	(272,044)
Total accumulated depreciation	(4,687,277)	(688,876)	617,567	(4,758,586)
Total capital assets, being depreciated, net	14,698,964	1,278,635	(2,305,497)	13,672,102
Total capital assets, net	\$ 20,953,049	15,589,376	(15,965,418)	20,577,007

The Home Ownership fund within the nonmajor funds had transfers in and dispositions related to home and land sales at the Holly Park Redevelopment project within the Low Rent fund.

Substantial restrictions are imposed by HUD, as well as by state and local governments, on the use and collateralization of the Authority's capital assets.

Construction in Progress

Capital improvements made on the Authority's Low Rent housing stock are financed by grant funds provided by HUD under Capital Grants and the Urban Revitalization Demonstration Grant (URD/HOPE VI). The funds provided through these programs are used to rehabilitate the housing stock, which extends the useful life of the buildings. Capital grants are awarded annually based on a comprehensive modernization plan submitted by the Authority. HOPE VI grants are awarded based on a specific application request. The Authority's construction in progress in the Low Rent program consists of the costs for modernization of public housing units. When modernization grants are completed, HUD issues a modernization cost certificate for each grant at which time construction in progress for that grant is recorded in the building category.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following schedule shows the significant components of the construction in progress in the Low Rent fund as of September 30, 2004:

Low Rent fund:	
Public Housing	\$ 247,827
Modernization funds – Capital Grants	16,765,046
Modernization funds – URD/HOPE VI grants	45,911,593
Total construction in progress	\$ 62,924,466

Component Units

The following is a summary of changes in the capital assets of the Authority's component units for the year ended December 31, 2003:

	Balance January 1, 2003	Additions and transfers in	Dispositions and transfers out	Balance December 31, 2003
Capital assets, not being depreciated:				
Construction in Progress	\$ 2,040,427	12,228,230	—	14,268,657
Total capital assets not being depreciated	2,040,427	12,228,230	—	14,268,657
Depreciable capital assets:				
Structures	55,029,306	—	—	55,029,306
Equipment	1,842,001	—	—	1,842,001
	56,871,307	—	—	56,871,307
Less accumulated depreciation for:				
Structures	(4,709,416)	(1,581,206)	—	(6,290,622)
Equipment	(709,040)	(284,276)	—	(993,316)
Total accumulated depreciation	(5,418,456)	(1,865,482)	—	(7,283,938)
Total capital assets, being depreciated, net	51,452,851	(1,865,482)	—	49,587,369
Total capital assets, net	\$ 53,493,278	10,362,748	—	63,856,026

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(7) Long-Term Debt

(a) The following is a summary of changes in the Authority's long-term debt for the year ended September 30, 2004:

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Operating fund:					
Line of credit payable for Wallingford site and North Maintenance facility replacement site. Interest is payable monthly at the rate of 59% of Key Bank's prime rate or 2.80% as of September 30, 2004.	\$ 203,985	—	—	203,985	203,985
Loan payable for PorchLight facility, due in 2010. Interest is payable monthly at the rate of 64% of Bank of America's prime rate or 3.04% as of September 30, 2004.	1,105,677	—	203,231	902,446	203,230
Loan payable to the City of Seattle for the Epstein Building remodel financed by HUD Community Development Block Grant funds. The loan will be fully forgiven on December 31, 2017 if the property is kept for low income use.	—	200,000	—	200,000	—
Line of credit payable for Gamelin House. Interest is payable at the rate of 59% of Key Bank's prime rate or 2.80% as of September 30, 2004.	—	1,155,787	—	1,155,787	1,155,787
Total notes payable	1,309,662	1,355,787	203,231	2,462,218	1,563,002
Bonds payable for the Wakefield Building and the PorchLight Building in annual payments of approximately \$600,000 including interest at rates of 2.85% to 6.1%; final due date of May 1, 2032. The bonds are secured by a deed of trust on the Wakefield and PorchLight buildings.	8,230,000	—	130,000	8,100,000	130,000
Bonds payable for the Wallingford property in annual payments of \$64,716 including interest at 7%; final due date is January 11, 2015. The bonds are secured by a pledge of the general revenues of the Authority.	505,355	—	30,299	475,056	32,491
Total bonds payable	8,735,355	—	160,299	8,575,056	162,491
Accrued compensated absences	48,936	340	39,507	9,769	68
Total long-term obligations	10,093,953	1,356,127	403,037	11,047,043	1,725,561

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Low rent fund:					
Note payable to the City of Seattle for the Yesler Terrace gymnasium improvements financed by HUD Community Development Block Grant funds. The loan will be fully forgiven on December 31, 2007 (10 years) if the property is kept for low-income use.	\$ 149,426	—	—	149,426	—
Notes payable issued in 1998 to the City of Seattle's General Fund, Urban Renewal and Capital Facilities Fund. Interest accrues at 1% simple interest per year and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.	2,417,263	—	—	2,417,263	—
Note payable to the City of Seattle's Housing Development Fund. Interest accrues at 1% simple interest per year and is payable on or before September 11, 2040.	1,700,000	—	—	1,700,000	—
Notes payable to the City of Seattle's Cumulative Reserve Fund and HOME Program. Interest accrues at 1% simple interest per year up to the 20th year and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal and interest payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance and accrued interest will be forgiven.	2,800,000	—	—	2,800,000	—
Line of credit payable to Key Bank for NewHolly Phase II of the Hope VI For Sale home program. Construction loan with maximum borrowing amount of \$10 million. Amounts are borrowed for construction expenditures and are repaid as homes are sold. The rate is prime rate minus 2.25% with a floor of 2.95%. The line matures and all principal and interest are due October 1, 2005.	4,292,877	—	4,292,877	—	—

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Line of credit payable to Bank of America for NewHolly Phase III. The maximum borrowing amount is \$10 million. The rate is 65% of the Bank's prime rate or 3.09% as of September 30, 2004. The line matures and all principal and interest are due January 24, 2006.	\$ 4,077,489	269,511	4,347,000	—	—
Line of credit payable to Bank of America for Rainier Vista redevelopment infrastructure. The maximum borrowing amount is \$10 million. The rate is 65% of the Bank's prime rate or 3.09% as of September 30, 2004. The line matures and all principal and interest are due January 24, 2006. Payment is expected prior to September 30, 2005.	—	3,229,814	—	3,229,814	3,229,814
Line of credit payable to Bank of America for High Point redevelopment infrastructure. The maximum borrowing amount is \$10 million. The rate is 65% of the Bank's prime rate or 3.09% as of September 30, 2004. The line matures and all principal and interest are due January 24, 2006. Payment is expected prior to September 30, 2005.	—	4,545,869	—	4,545,869	4,545,869
Notes payable to the City of Seattle's HOME Program. Interest accrues at 1% simple interest per annum from the date of each advance and is payable on or before August 7, 2033.	—	816,000	—	816,000	—
Note payable to the City of Seattle for Yesler community room improvements financed by Human Services Department Community Development Block Grant funds. The loan will be fully forgiven on March 31, 2009 (5 years) if the property is kept for low-income use.	—	99,961	—	99,961	—
Line of credit for purchase of scattered site replacement at 4818 SW Delridge. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	—	340,504	—	340,504	340,504
Total notes payable	15,437,055	9,301,639	8,639,877	16,098,837	8,116,187
Accrued compensated absences	1,320,721	283,215	407,236	1,196,700	82,108
Total long-term obligations	16,757,776	9,584,874	9,047,113	17,295,537	8,198,295

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Section 8 fund:					
Accrued compensated absences	\$ 265,218	8,139	25,268	248,089	7,617
Total long-term obligations	265,218	8,139	25,268	248,089	7,617
Local housing fund:					
Note payable to the State of Washington for the Villa Park Project. Interest accrues at 1% per year compounded monthly with 50 annual payments of \$27,698. The note is secured by a deed of trust on the property.	999,760	—	17,701	982,059	17,877
Note payable to the City for the Villa Park Apartments. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with debt covenants for 75 years, the unpaid principal balance will be forgiven. The note is secured by a deed of trust on the property.	1,785,723	—	—	1,785,723	—
Mortgage Loan for Wedgewood Estates payable to Prudential. Term is 35 years with final maturity August 1, 2036. The interest rate is 5.72% with monthly payments of \$94,774. The loan is guaranteed with FHA Insurance.	16,843,776	—	178,454	16,665,322	188,932
Line of credit for Lake City Commons. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612 or 3.49% on September 30, 2004.	512,119	1,530,499	2,042,618	—	—
Line of credit for Westwood Heights East 4plex. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612 or 3.49% on September 30, 2004.	297,920	587,617	—	885,537	885,537
Mortgage Loan for Wisteria Court payable to Prudential. Term is 35 years with final maturity August 1, 2038. The interest rate is 5.51% with monthly payments of \$21,114. The loan is guaranteed with FHA Insurance.	3,927,000	—	34,701	3,892,299	39,905
Line of credit for Wisteria Court. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	—	1,044,032	—	1,044,032	1,044,032

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Line of credit for Main Street Properties. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004. \$	—	985,055	—	985,055	985,055
Mortgage loan payable to CS Capital for the purchase of Main Street Properties bearing interest at a rate of 6% with maturity date of November 1, 2012. The mortgage is secured by a deed of trust on the property.	—	1,941,974	5,873	1,936,101	25,403
Line of credit for Aldercrest Apartments. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	—	1,985,117	—	1,985,117	1,985,117
Line of credit for Ritz Apartments. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	—	1,027,711	—	1,027,711	1,027,711
Other notes payable	509,547	—	—	509,547	—
Total notes payable	<u>24,875,845</u>	<u>9,102,005</u>	<u>2,279,347</u>	<u>31,698,503</u>	<u>6,199,569</u>
Bonds payable for the Villa Park Apartments in annual payments of \$25,000 to \$1,065,000 plus interest at rates of 4.5% to 6.5%; final due date November 1, 2026. The bonds are secured by a pledge of general revenues of the Authority, and a deed of trust on the Villa Park Apartments.	1,785,000	—	35,000	1,750,000	35,000
Bonds payable for Telemark Apartments, Stone Avenue Townhomes and 532 N 104th St Townhomes in the Local Housing Fund. Annual payments are \$25,000 to \$420,000 plus interest at rates of 3.5% to 6.125%; final due date is June 1, 2031. The bonds are secured by a deed of trust on the property.	2,880,000	—	30,000	2,850,000	35,000
Variable rate bonds payable for Wedgewood Estates in the amount of \$3,750,000. The interest rate is 10 basis points plus the Bond Market Association Swap Index (average of 7 day high grade bonds) and was 1.75% on September 30, 2004. Annual payments are made from cash flow on the project with final due date before August 2006. Bonds are secured by a Letter of Credit with KeyBank.	3,490,000	—	135,000	3,355,000	140,000

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Fixed rate bonds payable for Wedgewood Estates in the amount of \$17,185,000. Annual payments are \$160,000 to \$1,110,000 plus interest at rates of 3.25% to 5.6%; with final due date of August 20, 2036. The bond proceeds are invested in GNMA certificates to secure the bond repayment.	\$ 16,835,000	—	195,000	16,640,000	200,000
Fixed rate bonds payable for Market Terrace and Mary Avenue townhomes in the amount of \$3,145,000. Annual payments are \$45,000 to \$415,000 plus interest rates of 2.35% to 5.8% with final due date of August 31, 2032. The bonds are secured by a deed of trust on the properties.	1,105,060	—	16,041	1,089,019	16,041
Fixed rate bonds payable for Montridge Arms Apartments in the amount of \$1,830,000. Annual payments are \$25,000 to \$125,000 plus interest at rates of 2.5% to 6.0% with final due date of February 1, 2032. The bonds are secured by a deed of trust on the property.	1,805,000	—	25,000	1,780,000	30,000
Fixed rate bonds payable for Longfellow Creek Apartments in the amount of \$3,685,000. Annual payments are \$15,000 to \$235,000 plus interest at rates of 1.9% to 5.35% with final due date of October 1, 2033. The bonds are secured by a pledge of the general revenue of the Authority and certain revenues, and receipts available from the property.	3,685,000	—	—	3,685,000	15,000
Fixed rate bonds payable for HOPE VI replacement housing properties of Lam Bow, Roxbury Apartments and various units purchased from Decker properties in the amount of \$10,000,000. Annual payments are \$125,000 to \$695,000 plus interest rates at 6.125% with final due date of December 1, 2032. The bonds are secured by the general revenue of the Authority and certain revenues and receipts available from the property.	10,000,000	—	125,000	9,875,000	130,000
Fixed rate bonds payable for Wisteria Court Apartments in the amount of \$3,925,000. Annual payments are \$45,000 to \$245,000 plus interest at rates of 1.2% to 5.3% with final due date of October 20, 2038. The bond proceeds are invested in GNMA certificates to secure the bond repayment.	3,925,000	—	—	3,925,000	45,000

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Fixed rate bonds payable for Main Street Apartments and Yesler Court bearing interest at a rate of 2.15% to 5.85% with final due date of March 31, 2034. The bonds are secured by a pledge of the project revenues. \$	—	1,965,000	—	1,965,000	15,000
Fixed rate bonds payable for the refinancing of Bayview and Lake City Commons bearing interest at a rate of 2.15% to 5.8% with final due date of August 1, 2034. The bonds are secured by deeds of trust on the properties.	—	1,012,932	—	1,012,932	16,272
Total bonds payable.	45,510,060	2,977,932	561,041	47,926,951	677,313
Accrued compensated absences	509	592	470	631	583
Total long-term obligations	70,386,414	12,080,529	2,840,858	79,626,085	6,877,465
Senior housing fund:					
Accrued compensated absences	99,184	16,539	4,342	111,381	4,876
Total long-term obligations	99,184	16,539	4,342	111,381	4,876
Nonmajor funds:					
Mortgage for the Bay View Tower fund payable in monthly installments of \$18,628, including interest at 7% through September 2008. The mortgage is collateralized by a first deed of trust on Bay View Tower's land, building and equipment, the related Housing Assistance Payment Contract with HUD, and the fund's replacement reserve balance.	914,352	—	914,352	—	—
Note payable to the City for the Beacon House Project. Interest accrues at 1% simple interest per year for the first 20 years and is forgiven at the rate of 5% per year beginning on the 21st year subject to compliance with certain covenants. Principal payments may be deferred if the property is kept for low-income housing. If the Authority remains in compliance with the debt covenants for 75 years, the unpaid principal balance will be forgiven.	329,260	—	—	329,260	—
Line of credit payable for South Park Maintenance facility. Interest is payable monthly at the rate of 59% of Key Bank's prime rate or 2.80% on September 30, 2004	1,289,652	—	—	1,289,652	1,289,652
Line of credit payable for various properties in the Development fund including the Salvation Army building. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	1,306,150	2,011,342	—	3,317,492	3,317,492

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004	Due within one year
Mortgage loan payable to CW Capital for the purchase of Main Street Properties bearing interest at a rate of 6% with maturity date of November 1, 2012. The mortgage is secured by a deed of trust on the property.	\$ —	239,293	—	239,293	3,140
Line of credit for Main Street Properties. Interest is payable monthly at the rate of 65% of Key Bank's prime rate plus 0.612% or 3.49% on September 30, 2004.	—	121,748	—	121,748	121,748
Other notes payable	114,212	—	—	114,212	—
Total notes payable	3,953,626	2,372,383	914,352	5,411,657	4,732,032
Bonds payable to a bank for the Market House project bearing interest at rates from 4% to 8% (plus McKinney Act payments to HUD of 2.5% to 3.5%) with maturity dates through February 2015. The bonds are collateralized by a deed of trust on the project's land and building, the project's housing assistance payment contract with HUD, and all revenues, rents, profits or sale proceeds accruing to the project.	1,379,889	—	130,331	1,249,558	80,915
Fixed rate bonds payable for Market Terrace and Mary Avenue townhomes in the amount of \$3,145,000. Annual payments are \$45,000 to \$415,000 plus interest at rates of 2.35% to 5.8% with final due date of August 31, 2032. The bonds are secured by a deed of trust on the properties.	1,994,940	—	28,959	1,965,981	28,959
Fixed rate bonds payable for the refinance of Bayview and Lake City Commons bearing interest at a rate of 2.15% to 5.8% with final due date of August 1, 2034. The bonds are secured by deeds of trust on the properties.	—	2,722,068	—	2,722,068	43,728
Total bonds payable	3,374,829	2,722,068	159,290	5,937,607	153,602
Accrued compensated absences	1,006,711	129,053	36,140	1,099,624	34,591
Total long-term obligations	8,335,166	5,223,504	1,109,782	12,448,888	4,920,225
Primary government total notes payable	45,576,188	22,131,834	12,036,807	55,671,215	20,610,790
Primary government total bonds payable	57,620,244	5,700,000	880,630	62,439,614	993,406
Primary government accrued compensated absences	2,741,279	437,878	512,963	2,666,194	129,843
Primary government total long-term obligations	\$ 105,937,711	28,269,712	13,430,400	120,777,023	21,734,039

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of debt service requirements of the Authority for long-term obligations as of September 30, 2004:

		Bonds	Notes	Total	
				Principal	Interest
2005	\$	4,460,041	22,628,215	21,604,196	5,484,060
2006		4,577,623	1,902,658	1,626,517	4,853,764
2007		4,538,530	2,045,905	1,790,723	4,793,712
2008		4,527,660	1,890,300	1,689,798	4,728,162
2009		4,537,901	1,870,564	1,748,442	4,660,023
2010 - 2014		22,770,853	10,314,584	11,171,076	21,914,361
2015 - 2019		22,313,751	7,781,716	11,774,958	18,320,509
2020 - 2024		20,838,994	7,581,716	13,565,736	14,854,974
2025 - 2029		20,059,387	7,581,716	17,087,911	10,553,192
2030 - 2034		16,899,326	8,091,264	19,928,499	5,062,091
2035 - 2039		3,435,284	7,933,658	10,455,478	913,464
2040 - 2044		—	4,823,647	4,743,395	80,252
2045 - 2049		—	151,616	108,100	43,516
2050 - 2053		—	847,434	816,000	31,434
Total requirements	\$	128,959,350	85,444,993	118,110,829	96,293,514

The following is a summary of debt service requirements for long-term obligations as of September 30, 2004 for the Operating fund:

		Bonds	Notes	Total	
				Principal	Interest
2005	\$	668,074	1,624,141	1,725,493	566,722
2006		667,874	222,942	373,070	517,746
2007		667,136	216,763	380,589	503,310
2008		665,836	210,585	388,290	488,131
2009		668,876	90,887	287,482	472,281
2010 - 2014		3,339,871	—	1,161,099	2,178,772
2015 - 2019		3,041,112	200,000	1,406,251	1,834,861
2020 - 2024		3,019,050	—	1,585,000	1,434,050
2025 - 2029		3,014,565	—	2,120,000	894,565
2030 - 2034		1,810,385	—	1,610,000	200,385
Total requirements	\$	17,562,779	2,565,318	11,037,274	9,090,823

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of debt service requirements for long-term obligations as of September 30, 2004 for the Low Rent fund:

	Notes	Total	
		Principal	Interest
2005	\$ 8,418,729	8,116,187	302,542
2006	77,333	—	77,333
2007	226,759	149,426	77,333
2008	77,333	—	77,333
2009	177,294	99,961	77,333
2010 - 2014	386,665	—	386,665
2015 - 2019	386,665	—	386,665
2020 - 2024	386,665	—	386,665
2025 - 2029	386,665	—	386,665
2030 - 2034	386,665	—	386,665
2035 - 2039	2,759,251	2,417,263	341,988
2040 - 2044	4,570,945	4,500,000	70,945
2045 - 2049	40,800	—	40,800
2050 - 2054	847,434	816,000	31,434
Total requirements	\$ 19,129,203	16,098,837	3,030,366

The following is a summary of debt service requirements for long-term obligations as of September 30, 2004 for the Local Housing fund:

	Bonds	Notes	Total	
			Principal	Interest
2005	\$ 3,283,051	7,697,612	6,876,882	4,103,781
2006	3,348,197	1,581,481	1,052,688	3,876,990
2007	3,356,087	1,581,481	1,108,687	3,828,881
2008	3,348,273	1,581,481	1,152,081	3,777,673
2009	3,352,450	1,581,481	1,211,651	3,722,280
2010 - 2014	16,853,503	9,322,530	8,738,899	17,437,134
2015 - 2019	16,939,059	7,195,051	9,122,814	15,011,296
2020 - 2024	16,176,688	7,195,051	11,164,433	12,207,306
2025 - 2029	15,402,050	7,195,051	13,893,657	8,703,444
2030 - 2034	13,588,213	7,704,599	17,028,164	4,264,648
2035 - 2039	3,435,284	5,174,407	8,038,215	571,476
2040 - 2044	—	138,490	129,183	9,307
2045 - 2049	—	110,816	108,100	2,716
2050 - 2053	—	—	—	—
Total requirements	\$ 99,082,855	58,059,531	79,625,454	77,516,932

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The following is a summary of debt service requirements for long-term obligations as of September 30, 2004 for the nonmajor funds:

	Bonds	Notes	Total Principal	Interest
2005	\$ 508,916	4,887,733	4,885,634	511,015
2006	561,552	20,902	200,759	381,695
2007	515,305	20,902	152,021	384,186
2008	513,553	20,901	149,427	385,027
2009	516,576	20,902	149,348	388,130
2010 - 2014	2,577,480	605,389	1,271,078	1,911,791
2015 - 2019	2,333,580	—	1,245,893	1,087,687
2020 - 2024	1,643,254	—	816,303	826,951
2025 - 2029	1,642,772	—	1,074,254	568,518
2030 - 2034	1,500,728	—	1,290,335	210,393
2035 - 2039	—	—	—	—
2040 - 2044	—	114,212	114,212	—
2045 - 2048	—	—	—	—
Total requirements	\$ 12,313,716	5,690,941	11,349,264	6,655,393

For variable rate issues, the Authority estimated interest payments based on the interest rates in effect at the end of the fiscal year.

There are several limitations and restrictions contained in the various debt instruments primarily requiring the Authority to maintain certain levels of low-income tenants. Authority management believes it is in compliance with all significant limitations and restrictions.

(b) Debt Refinancing

On August 1, 2004 the Authority issued \$3,735,000 of tax-exempt revenue bonds with an average interest rate of 5.9%. The net proceeds of \$2,811,229 were used to refund approximately \$763,611 of the Bayview Tower mortgage with a fixed interest rate at 7% and to refund Lake City Commons \$2,042,618 line of credit balance with a variable rate of 59% of Key Bank's prime rate of 2.80% as of September 30, 2004. The mortgage and line of credit are considered to be defeased and the liabilities have been removed from the debt schedule.

The Authority did not reduce its aggregate debt service payments, but reduced monthly debt service payments over the next 30 years and obtained an economic gain with a present value of approximately \$761,067.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(c) *Other Borrowings*

The Authority has a \$6 million line of credit, which provides the Authority with a ready means of short-term financing. The line of credit bears interest at 59% of the bank's prime rate or 2.80% at September 30, 2004. The line of credit matures August 2005. The total amount outstanding at the end of the fiscal year was \$2,649,424 of which \$1,359,772 was recorded in the Operating fund, and \$1,289,652 in the nonmajor funds. During the current fiscal year, the Authority's line of credit was used to provide interim financing for construction of the Authority's share of Gamelin House at Rainier Vista. Other property purchases were transferred to the real property line of credit.

The Authority also has a \$10 million revolving real property line of credit in order to provide a ready means of financing property acquisitions. The line of credit bears interest at 65% of the bank's prime rate plus 0.612% or equivalent rate of 3.49% at September 30, 2004. The commitment expires in August 2008 and may be extended by the Executive Director of the Authority to a date not later than five years after the original maturity date with the consent of the bank. As of September 30, 2004, the Authority had drawn \$9,707,196 million against the line. Draws on the line were made during the year to provide interim financing for The Ritz Apartments, three of the fourplexes at Westwood Heights East, the Holze property, the Chambers property, the High Point Head Start building, a vacant lot at Kenyon & 39th, the Salvation Army building, Main Street Place, the Mobley House, Alder Crest Apartments, the High Point substation, Wisteria Court, and a triplex for scattered site replacement. In addition, the Columbia Tow Yard was transferred from the operating line of credit. The High Point Head Start building was repaid and not part of the year end balance.

During the year, the Authority established a \$10 million revolving infrastructure line of credit in order to finance construction costs at the Holly Park, Rainier Vista, and High Point redevelopment projects. The line of credit bears interest at 65% of the bank's prime rate on the drawn balance of the line, and 15 basis points on the unused portion of the line or 3.09% as of September 30, 2004. As of September 30, 2004, Holly Park had no outstanding balance drawn from the line, while High Point and Rainier Vista had drawn \$4,545,869 and \$3,229,814 from the line respectively.

(d) *Conduit Debt*

The Authority has issued special revenue bonds to provide financial assistance to not-for-profit agencies and private developers for the purpose of constructing low-income housing. The bonds are limited obligation bonds of the Authority and are payable solely from project revenue. These nonrecourse conduit bonds are secured by the property financed and are often collateralized by a letter of credit issued by a major bank. The Authority is not obligated in any manner and accordingly the bonds have not been recorded in the accompanying financial statements.

As of September 30, 2004, there were 46 series of these special revenue bonds outstanding. The aggregate principal amount payable for the series issued after September 30, 1996 was \$223,713,739. The aggregate principal amount payable for the 16 series issued prior to October 1, 1996 could not be determined; their original issue amount totaled \$59,738,554.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(e) **Component Unit Debt**

The Holly Park Limited Partnership (HPLP) has \$5,260,000 in bonds outstanding at December 31, 2003. The bonds were issued by the Authority on behalf of the component unit and are secured by a deed of trust on the Limited Partnership's leasehold interest in the Holly Park redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest on the bonds is due every six months at a fixed rate comprised of 12 serial bonds with different rates (4.7% - 5.9%). The bonds mature on January 1, 2030.

As of December 31, 2003, HPLP has other long-term debt totaling \$20,140,699. Of this, \$18,440,699 represents the general partner loans made by the Authority and is secured by liens on the Partnership's property. These loans accrue interest at the annual rate of 1% and interest only payments on the outstanding principal balances are due to the general partner from available net cash flow beginning July 1, 1999. For the year ending September 30, 2004, no interest payments were made to the Authority. The remaining \$1,700,000 represents a loan from the Washington State Office of Community Trade & Economic Development. The loan accrues no interest and is secured by a lien on the Partnership's property and matures on December 31, 2040.

The Ravenna School Limited Partnership has outstanding debt in the amount of \$529,727 payable to the Authority at December 31, 2003. Two notes for \$131,115 and \$398,612 are payable by December 31, 2039 and bear interest at 1% per year.

The Othello Street Limited Partnership (OSLP) has bonds outstanding at December 31, 2003 of \$2,415,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on the Limited Partnership's leasehold interest in the Holly Park redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. The bonds bear interest at 7.0% per year and mature on January 1, 2032.

As of December 31, 2003, OSLP has other long-term debt totaling \$8,195,384. Of this, \$6,195,384 represents the general partner loans made by the Authority and is secured by liens on the Partnership's property. These loans accrue interest at the annual rate of 1% and interest only payments on the outstanding principal balances are due to the general partner from available net cash flow. As of September 30, 2004, no interest payments had been made to the Authority. The remaining \$2,000,000 represents a loan from the Washington State Office of Assistance Program. Payments of principal and interest are deferred for 30 years until December 31, 2032, with interest accruing at 1% per annum during the deferral period. Beginning December 31, 2032, all unpaid principal and accrued interest will be paid over 20 years with annual payments of \$149,383.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The Desdemona Limited Partnership (DLP) has bonds outstanding at December 31, 2003 of \$22,500,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on the Limited Partnership's leasehold interest in the Holly Park redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. At December 31, 2003, the interest rate on the \$7,980,000 fixed rate bonds ranged from 3.10% to 6.25% based on the maturity schedule in the First Supplemental Trust Indenture. At December 31, 2003, the interest rate on the \$14,520,000 variable rate bonds was 1.35%. The fixed rate bonds mature on December 1, 2035. The variable rate bonds mature on December 1, 2034.

As of December 31, 2003, DLP has other long-term debt totaling \$7,968,514 secured by liens on the Partnership's property. Of this, \$5,968,514 represents the general partner loans made by the Authority and is secured by liens on the Partnership's property. These loans accrue interest at the annual rate of 1% and interest only payments on the outstanding principal balances are due to the general partner from available net cash flow. As of September 30, 2004, no interest payments had been made to the Authority. The remaining \$2,000,000 represents a loan from the State of Washington Department of Community, Trade and Economic Development, Office of Community Development. Payments of principal and interest are deferred for 10 years until December 1, 2015, with interest accruing at 1% per annum during the deferral period. Beginning December 1, 2015, all unpaid principal and accrued interest will be paid over 20 years with annual payments of \$22,104 for the first ten years and \$122,060 for the remaining 10 years with the final payment due on or before October 1, 2045.

The Escallonia Limited Partnership (ELP) has bonds outstanding at December 31, 2003 totaling \$22,500,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Key Bank and secured by a deed of trust on the Limited Partnership's leasehold interest in the Rainier Vista redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest is due monthly at a fixed rate of 4.13% on \$5,275,000 of the bonds, and at the variable bond marketing association (BMA) rate (not to exceed 8%) for the remaining amount of the bonds. The bonds mature on December 1, 2036.

As of December 31, 2003, ELP has other long-term debt totaling \$3,077,092 of general partner loans made by the Authority and secured by liens on the Partnership's property. These loans accrue noncompounding interest at the annual rate of 1% and mature in fiscal year 2044. Interest only payments on the loans are due to the general partner from available net cash flow. As of September 30, 2004, no interest payments had been made to the Authority.

The High Point North Limited Partnership (HPNLP) has bonds outstanding at December 31, 2003 totaling \$32,000,000. The bonds were issued by the Authority on behalf of the component unit and are backed by an irrevocable letter of credit issued by Bank of America and secured by a deed of trust on the Limited Partnership's leasehold interest in the Rainier Vista redevelopment project. The bonds are further secured by a pledge of the Authority's unobligated general revenue. Interest is due monthly at the variable bond marketing association (BMA) rate at December 31, 2003. The bonds mature on June 10, 2036.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

As of December 31, 2003, HPNLP has other long-term debt totaling \$790,581 of general partner loans made by the Authority and secured by liens on the Partnership's property. These loans accrue compounding interest at the annual rate of 1% and mature in fiscal year 2054. Interest only payments on the loans are due to the general partner from available net cash flow. As of September 30, 2004, no interest payments had been made to the Authority.

The following is a summary of changes in long-term obligations for the component units:

	Balance January 1, 2003	Additions	Retirements	Balance December 31, 2003	Due within one year
Loans payable to primary government from Holly Park Limited Partnership	\$ 18,440,699	—	—	18,440,699	—
Loan payable to Washington State Office of Community Trade & Economic Development from Holly Park Limited Partnership	1,700,000	—	—	1,700,000	—
Loans payable to primary government from Ravenna School Limited Partnership	529,727	—	—	529,727	—
Loans payable to primary government from Othello Street Limited Partnership	6,195,384	—	—	6,195,384	—
Loan payable to Washington State Office of Assistance Program from Othello Street Limited Partnership	2,000,000	—	—	2,000,000	—
Loans payable to primary government from Desdemona Limited Partnership	1,112,267	4,856,247	—	5,968,514	3,847,085
Loan payable to Washington State Housing Trust fund from Desdemona Limited Partnership	—	2,000,000	—	2,000,000	—
Loans payable to primary government from Escallonia Limited Partnership	868,855	2,208,237	—	3,077,092	—
Bond Anticipation note from Escallonia Limited Partnership	50,000	—	50,000	—	—
Loans payable to primary government from High Point North Limited Partnership	—	790,581	—	790,581	—
Total notes payable	30,896,932	9,855,065	50,000	40,701,997	3,847,085
Bonds payable - Holly Park Limited Partnership	5,345,000	—	85,000	5,260,000	90,000
Bonds payable - Othello Street Limited Partnership	2,440,000	—	25,000	2,415,000	30,000
Bonds payable - Desdemona Limited Partnership	22,500,000	—	—	22,500,000	—
Bonds payable - Escallonia Limited Partnership	—	22,500,000	—	22,500,000	—
Bonds payable - High Point North Limited Partnership	—	32,000,000	—	32,000,000	—
Total bonds payable	30,285,000	54,500,000	110,000	84,675,000	120,000
Total long term obligations	\$ 61,181,932	64,355,065	160,000	125,376,997	3,967,085

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Principal maturities of long-term obligations of the component units as of December 31, 2003 are as follows:

	Bonds	Notes	Total Principal	Total Interest
2004	\$ 2,009,163	4,344,858	3,967,085	2,386,936
2005	2,002,518	497,852	120,000	2,380,370
2006	2,115,653	497,932	240,000	2,373,585
2007	2,119,693	498,012	255,000	2,362,705
2008	2,117,423	498,094	265,000	2,350,517
2009 - 2013	10,586,866	2,491,719	1,550,000	11,528,585
2014 - 2018	10,579,296	2,670,714	2,045,000	11,205,010
2019 - 2023	10,575,247	2,717,194	2,750,000	10,542,441
2024 - 2028	10,549,768	3,026,774	4,095,000	9,481,542
2029 - 2033	9,189,608	3,306,082	4,245,000	8,250,690
2034 - 2038	72,631,960	21,895,747	89,530,699	4,997,008
2039 - 2043	—	4,897,916	3,229,727	1,668,189
2044 - 2048	—	2,220,332	600,000	1,620,332
2049 - 2053	—	7,904,419	6,495,384	1,409,035
2054 - 2058	—	7,175,471	5,989,102	1,186,369
Total requirements	\$ 134,477,195	64,643,116	125,376,997	73,743,314

(8) Interfund Receivable/Payable Accounts

The Authority maintains interfund receivable and payable accounts for all housing projects and funds that it administers. Balances at September 30, 2004 are comprised of cash pool allocations to the participating programs. Interfund balances are shown with current and noncurrent portions. Current portions of the interfund balances represent normal operations and are expected to be repaid in less than one year.

Current portions of the interfund receivable and payable balances as of September 30, 2004 are as follows:

	Interfund receivable	Interfund payable	Net receivable (payable)
Operating fund	\$ 2,621,937	—	2,621,937
Low Rent fund	1,377,586	(10,100,286)	(8,722,700)
Section 8 fund	2,029,899	(20,847)	2,009,052
Local Housing fund	—	(143,530)	(143,530)
Senior Housing fund	1,817,054	—	1,817,054
Nonmajor funds	3,236,564	(818,377)	2,418,187
Net current interfund balances	\$ 11,083,040	(11,083,040)	—

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Noncurrent portions of the interfund receivable and payable balances as of September 30, 2004 are as follows:

	Interfund receivable	Interfund payable	Net receivable (payable)
Operating fund	\$ 160,856	—	160,856
Low Rent fund	10,583,511	—	10,583,511
Section 8 fund	—	—	—
Local Housing fund	—	(3,276,487)	(3,276,487)
Senior Housing fund	—	—	—
Nonmajor funds	—	(7,467,880)	(7,467,880)
Net noncurrent interfund balances	\$ 10,744,367	(10,744,367)	—

During the year the Authority had an increase of interfund activity representing transactions that were expected to span longer than one year. Low Rent fund has loaned approximately \$3.2 million to the Local Housing fund to finance the purchase of several housing properties and for operating shortfalls on newly acquired properties. Low Rent fund has also loaned approximately \$7.4 million to the Development fund in the nonmajor fund group to help finance property purchases and to make loans to not-for-profit partners to help them in support of low-income housing developments. The Authority intends to sell the properties held in the Development fund or redevelop them for new affordable housing with permanent financing.

Transfers between funds during the fiscal year 2004 were as follows:

	Transfers from:			
	Low rent	Section 8	Nonmajor	Total
Transfers to:				
Operating fund	\$ 1,382,181	870,010	478,316	2,730,507
Low Rent fund	—	—	15,539,559	15,539,559
Local Housing fund	148	—	2,935,101	2,935,249
Senior Housing fund	—	—	—	—
Nonmajor funds	14,707,171	849,838	3,417,403	18,974,412
Total transfers	\$ 16,089,500	1,719,848	22,370,379	40,179,727

Transfers are used to move unrestricted revenues from the fund that collects them to finance various programs accounted for in other funds in accordance with budgetary authorizations and as allowed under the Authority's participation in the Move to Work program.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

During the year ending September 30, 2004, the Authority's Hope VI Redevelopment program within the Low Rent fund transferred approximately \$12.0 million to the Home Ownership fund under the nonmajor funds. This amount represents the value of the land and homes that were sold as a part of the Holly Park Redevelopment project. Subsequently, the Home Ownership fund transferred back \$14.0 million to the Hope VI Redevelopment program within the Low Rent fund. This represents the net proceeds from the Holly Park home sales and will be used by the Hope VI program to fund the remaining portion of the redevelopment project.

(9) Pension Plans

Substantially all of the Authority's full-time and qualifying part-time employees participate in the Washington State Public Employees Retirement system (PERS), a defined benefit cost-sharing multiple-employer public employee retirement system.

(a) Plan Description

The State legislature established PERS in 1947 under RCW Chapter 41.40. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government. Approximately 50% of PERS members are State employees. PERS contains three tiers (Plans). Participants who joined the system by September 30, 1977, are enrolled in Plan I, while those joining thereafter are enrolled in Plan II. Plan III applies to all employees joining after September 1, 2002 and Employees in Plan II were allowed to transfer to Plan III during the period of September 1, 2002 and May 31, 2003. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan I and Plan II are vested after completion of 5 years of eligible service. Plan III members are vested after 10 years for new employees and 5 years for employees transferring from Plan II to Plan III.

Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual retirement benefit is 2% of the final average salary per year of service, capped at 60%. Final average salary is based on the 24 consecutive highest-paid months.

Plan II members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service. The annual retirement benefit is 2% of the final average salary per year of service. Final average salary is based on the 60 consecutive highest-paid creditable months. Plan II retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

Plan III members may retire at the age of 65 with at least 10 years of service, or 5 years of service including one year of service after reaching age 55, or 5 years of service under Plan II. The annual retirement benefit is 1% of the final average salary per year of service. Final average salary is based on the 60 consecutive highest-paid creditable months. Plan III retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually. There is also a defined contribution component of this plan and the amount varies between 5% and 15% depending on the option chosen by the employee.

The Authority's payroll covered under PERS was \$22,403,245 for the year ended September 30, 2004. Total payroll for the year ended September 30, 2004 was \$26,976,956.

(b) Contributions

Each biennium the legislature establishes Plan I and Plan III employer contribution rates and Plan II employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II and for Plan III are developed by the Office of the State Actuary to fully fund the system. The methods used to determine the contribution requirements were established under State statute. All employers are required to contribute at the level established by the legislature and the Office of the State Actuary.

The actual contribution rates were changed during the year. Until September 1, 2004, employer and employee rates in effect were 1.41% and 6.00% respectively, under Plan I and 1.41% and 1.18%, respectively under Plan II. Plan III employer rates were 1.41%.

The employer and employee contributions expressed as a percentage of total payroll covered by PERS as of September 30, 2004 were:

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	1.38%	1.38%	1.38%
Employee	6.00	1.18	varies
	7.38%	2.56%	varies

The employer and employee contributions for the years ended September 30, 2004 were:

	PERS Plan I required	PERS Plan II required	PERS Plan III required
Employer	\$ 28,236	308,392	37,877
Employee	121,145	260,264	176,788
	\$ 149,381	568,656	214,665

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

The Authority's actuarially determined employer contribution requirement represents approximately 0.33% of the total for all employees covered by PERS.

The following is a three-year summary of the Authority's employee and employer contributions for payroll covered under PERS:

	Total covered payroll	Required employee contributions	Actual contributions as a percentage of required contributions	Employer contributions	Actual contributions as a percentage of required contributions	Employee contributions as a percentage of covered payroll	Employer contributions as a percentage of Covered payroll	Net pension obligation (benefit)
2004	\$ 22,403,245	558,197	100%	\$ 374,505	100%	2.49%	1.67%	—
2003	22,097,379	407,598	100	357,087	100	1.84	1.62	—
2002	20,970,276	321,486	100	392,835	100	1.53	1.87	—

Six-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS December 31, 2003 combined actuarial valuation report. Such report can be obtained from the Washington State Department of Retirement Systems at 402 Legion Way, Olympia, WA 98504.

(10) Deferred Compensation Plan

The Authority, in conjunction with the State of Washington, offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is managed by the Washington State Department of Retirement Systems. In June 1998, the State of Washington Deferred Compensation Program plan assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Government Accounting Standards Board (GASB) Statement 32, since the Authority is not the owner of these assets, the plan assets and liabilities are not reported as part of the Authority.

The Authority has a deferred compensation plan (Plan) for senior level employees. This Plan was created in accordance with 26 U.S.C. 83 and Treasury Regulation 1.83-7 and is administered by the Authority's Board of Commissioners. As a defined contribution plan, the Plan entitles senior level employees to purchase shares of selected funds, bonds or other investments. The vesting in the award is determined by the Authority's Board of Commissioners. The purchase price on award is no less than 25% of such award. At September 30, 2004, the awards under the Plan have not been significant.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(11) Risk Management

The Authority maintains insurance against most normal hazards. Property insurance coverage is at a limit of \$100 million with a deductible of \$50,000. Earthquake insurance coverage is \$1 million per occurrence with a deductible of 5% per location per occurrence. The Authority participates in the Housing Authority Risk Retention Group (HARRG) in order to obtain stable and affordable general liability insurance coverage. General liability coverage provided is \$15 million per year with a deductible of \$250,000 per occurrence, subject to annual stop loss aggregate of \$500,000. The Authority also maintains a number of other insurance policies necessary and appropriate in the normal course of business including employee fidelity and directors and officers insurance. The amount of settlements has not exceeded insurance coverage for each year of the past three fiscal years.

The Authority's economic risk as a participant in HARRG is limited to the Authority's initial surplus contribution of \$90,000 and the payment of annual premiums for its general liability insurance coverage. Although the underwriting experience of HARRG may result in increased annual premium charges and/or assessments against each participant's surplus contribution account, the Authority's exposure to any net loss allocation is restricted to its surplus contribution account balance. Based on the results of HARRG's latest annual independent actuarial study performed in accordance with GASB Statement No. 10, the level of reserve maintained by HARRG has been determined to be adequate to cover estimated claim liabilities.

The Authority has elected to pay for its employment security coverage via quarterly reimbursements to the Washington State Department of Employment Security. This reimbursable method of payment is in lieu of unemployment taxes and the election is authorized for all political subdivisions under Washington State Law (RCW 50.44.060).

(12) Contingencies

In connection with various Federal and State grant programs, the Authority is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Authority to refund program monies. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amount, if any, to be immaterial.

As of September 30, 2004, the Authority and its component units have outstanding construction contracts and other commitments totaling approximately \$89.9 million. These commitments are primarily related to the implementation of redevelopment activities and capital projects funded by Federal, State and local financial assistance, tax-exempt bonds and tax credit equity contributions.

The Authority is also contingently liable in connection with claims and contracts arising in the normal course of its activities. Authority management is of the opinion that the outcome of such matters will not have a material effect on the accompanying financial statements.

The possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly reduced, the Authority would need to seek other funding sources to maintain operations at current levels.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(13) Required Individual Fund Disclosures

The following expense categories had excess expenses over appropriations at the legal level of control for the years ended September 30, 2004:

Function	Operating fund	Low rent fund	Section 8	Local housing fund	Senior housing fund	Nonmajor funds
Administration	\$ (78,568)	(49,558)	(155,066)	(108,530)	(68,112)	—
Tenant services	—	—	(16,112)	—	—	(3,578)
Utility services	(2,856)	—	—	(231,832)	—	(21,595)
Maintenance	(3,327)	—	(281,082)	(447,732)	—	(380,034)
Housing assistance payments	—	—	(4,933,413)	—	—	—
Other	(45,971)	(382,590)	(9,703)	(637,730)	(143,756)	(24,531)
Depreciation and amortization	(173,116)	—	(70,675)	(665,654)	(131,552)	(120,449)

The Authority's budgetary controls are established at the function, department, and fund level. Budget variances are monitored throughout the year through the use of monthly management budget reports and discussed at quarterly financial review sessions held with department directors. The Authority does not fund its programs through the use of appropriations and does not prohibit excess expense over budget. Expense controls are in place to ensure budget variances are monitored and addressed in a timely manner. All expenses must be approved in accordance with the Authority's expense authorization policy and expenses in excess of \$500 require review and approval of the Authority's budget staff.

During the year, Section 8 housing assistance payment expenses exceeded the budgeted amount by \$4.9 million. Of the \$4.9 million, \$4.75 million, or 97% of the unfavorable variance was the result of higher housing choice voucher payments than what was received from HUD. This is a national trend and the Authority has taken steps to reduce the number of vouchers issued while ensuring choice and affordability for Section 8 program participants.

Budgets for depreciation and amortization within the Operating fund and the Local Housing fund did not include amounts for depreciation on the newly acquired properties. This accounts for the significant variances between budget and actual in that category.

As of September 30, 2004 the Impact Property Services fund, in the nonmajor fund group, has had a deficit net asset balance of \$582,939. This fund performs maintenance work upon request and charges other SHA funds as well as external customers for their work. The Authority has adjusted the billings and expects this deficit to be eliminated in future years.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Basic Financial Statements

September 30, 2004

(14) Discretely Presented Component Units Condensed Financial Information

	Condensed Balance Sheet						
	Holly Park Limited Partnership	Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	High Point North Limited Partnership	Total
Total assets	\$ 37,091,151	1,349,118	16,466,402	31,888,393	26,860,847	34,132,557	147,788,468
Capital assets, net	33,535,531	1,228,817	14,823,021	8,114,048	4,328,414	1,826,195	63,856,026
Total liabilities	26,153,030	623,163	11,401,377	31,128,679	27,742,847	34,132,557	131,181,653
Notes due to primary government	18,440,699	529,727	6,195,384	5,968,514	3,077,092	790,581	35,001,997
Bonds and other long term liabilities outstanding	6,960,000	—	4,415,000	24,500,000	22,500,000	32,000,000	90,375,000
Net assets invested in capital assets	8,134,832	699,090	4,212,637	145,534	1,251,322	1,035,614	15,479,029
Net assets restricted for debt service	2,879,377	—	778,667	614,180	16,893	—	4,289,117
Unrestricted net assets	(76,088)	26,865	73,721	—	(2,150,215)	(1,035,614)	(3,161,331)
Total net assets	10,938,121	725,955	5,065,025	759,714	(882,000)	—	16,606,815

	Condensed Income Statement					
	Holly Park Limited Partnership	Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Total
Operating revenue	\$ 1,741,495	170,685	599,050	—	—	2,511,230
Operating expenses	2,507,842	229,080	839,553	—	18	3,576,493
Depreciation/amortization	1,335,740	58,213	492,214	—	—	1,886,167
Operating loss	(766,347)	(58,395)	(240,503)	—	(18)	(1,065,263)
Change in net assets	(1,200,348)	(64,310)	(592,586)	—	(882,018)	(2,739,262)
Beginning net assets	12,138,469	790,265	5,657,611	—	18	18,586,363
Ending net assets	10,938,121	725,955	5,065,025	759,714	(882,000)	16,606,815

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Combining Fund Statements and Schedules

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Operating Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Other	\$ 2,420,439	2,991,317	570,878
Total operating revenues	<u>2,420,439</u>	<u>2,991,317</u>	<u>570,878</u>
Operating expenses:			
Administration	557,280	635,848	(78,568)
Tenant services	265,021	196,216	68,805
Utility services	175,915	178,771	(2,856)
Maintenance	511,922	515,249	(3,327)
Other	—	45,971	(45,971)
Depreciation and amortization	622,912	796,028	(173,116)
Total operating expenses	<u>2,133,050</u>	<u>2,368,083</u>	<u>(235,033)</u>
Operating income	<u>287,389</u>	<u>623,234</u>	<u>335,845</u>
Nonoperating revenue (expense):			
Interest expense	(710,511)	(604,153)	106,358
Interest income	57,118	173,167	116,049
Total nonoperating loss	<u>(653,393)</u>	<u>(430,986)</u>	<u>222,407</u>
Change in net assets before transfers	<u>(366,004)</u>	<u>192,248</u>	<u>558,252</u>
Transfers in	2,730,507	2,730,507	—
Transfers out	—	—	—
Change in net assets	<u>2,364,503</u>	<u>2,922,755</u>	<u>558,252</u>
Net assets at beginning of year	<u>9,475,977</u>	<u>9,475,977</u>	<u>—</u>
Net assets at end of year	\$ <u>11,840,480</u>	<u>12,398,732</u>	<u>558,252</u>

LOW RENT FUND

Public Housing Fund - To account for the operations of the Public Housing program which consists of 5,481 units. The properties are owned, maintained, and managed by the Authority. Funding of the program is provided by federal annual contributions, operating subsidies, and tenant rentals.

Capital Project Funds - To account for financial resources to be used for the acquisition, development or modernization of major capital facilities, and include the following:

<u>Modernization Project Funds</u>	<u>Project No.</u>	<u>Program Status</u>	<u>Program Financing</u>
Capital Funds Program	WA19P00150101	Complete	Grant
Capital Funds Program	WA19P00150102	Incomplete	Grant
Capital Funds Program	WA19R00150102	Incomplete	Grant
Capital Funds Program	WA19P00150103	Incomplete	Grant
Capital Funds Program	WA19P00150203	Incomplete	Grant
Capital Funds Program	WA19R00150103	Incomplete	Grant

Completed and approved Capital Project Funds are not included in the accompanying financial statement schedules where such funds are inactive and have been closed out.

Hope VI Redevelopment Funds - To account for financial resources to be used for the redevelopment projects under HUD's Urban Revitalization Demonstration Fund and include the following:

<u>Development Project Funds</u>	<u>Project No.</u>	<u>Program Status</u>	<u>Program Financing</u>
Urban Revitalization Demonstration Fund:			
Holly Park Redevelopment Project	WA19URD0011195	Incomplete	Grant
Roxbury Implementation	WA19URD0011198	Complete	Grant
Rainier Vista Implementation	WA19URD0011199	Incomplete	Grant
Highpoint Demolition and Relocation	WA19URD001D101	Incomplete	Grant
Highpoint Implementation	WA19URD0011100	Incomplete	Grant

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Low Rent Fund

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Year ended September 30, 2004

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Tenant rentals and sales	\$ 9,837,614	9,651,974	(185,640)
Other	1,156,154	2,496,515	1,340,361
Total operating revenues	10,993,768	12,148,489	1,154,721
Operating expenses:			
Administration	10,722,056	10,771,614	(49,558)
Tenant services	1,535,347	1,304,550	230,797
Utility services	4,018,690	3,786,636	232,054
Maintenance	10,921,929	10,520,187	401,742
Other	140,714	523,304	(382,590)
Depreciation and amortization	8,699,484	7,358,667	1,340,817
Total operating expenses	36,038,220	34,264,958	1,773,262
Operating loss	(25,044,452)	(22,116,469)	2,927,983
Nonoperating revenue:			
Intergovernmental	14,021,545	15,079,571	1,058,026
Interest expense	—	(17,598)	(17,598)
Interest income	60,979	10,210	(50,769)
Disposition of assets	—	(3,876,167)	(3,876,167)
Total nonoperating revenue	14,082,524	11,196,016	(2,886,508)
Change in assets before transfers	(10,961,928)	(10,920,453)	41,475
Transfers:			
Transfers in	10,619,163	10,619,163	—
Transfers out	(1,966,424)	(1,966,424)	—
Total transfers	8,652,739	8,652,739	—
Net loss	(2,309,189)	(2,267,714)	41,475
Net assets at beginning of year	94,322,372	94,322,372	—
Net assets at end of year	\$ 92,013,183	92,054,658	41,475

SECTION 8 FUND

Section 8 Moderate Rehabilitation Fund - To account for the operations of the Section 8 Moderate Rehabilitation program which provides rental assistance to 760 residents living in privately owned housing units. Funding for the program is provided by federal housing assistance contributions.

Section 8 Housing Choice Voucher Fund - To account for the operations of the Section 8 Voucher program which provides rental assistance to 7,861 residents living in privately owned housing units. Funding for the program is provided by federal housing assistance contributions.

New Construction and Substantial Rehabilitation Fund - To account for the operations of the Section 8 New Construction and Substantial Rehabilitation program which provides rental assistance to 513 units in privately owned buildings. Funding for the program is provided by federal housing assistance contributions.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Section 8 Fund

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Year ended September 30, 2004

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Housing assistance payment subsidies	\$ 75,062,238	75,725,763	663,525
Other	—	822	822
Total operating revenues	75,062,238	75,726,585	664,347
Operating expenses:			
Administration	5,673,169	5,828,235	(155,066)
Tenant services	2,754	18,866	(16,112)
Maintenance	383,038	664,120	(281,082)
Housing assistance payments	66,955,795	71,889,208	(4,933,413)
Other	33,484	43,187	(9,703)
Depreciation and amortization	12,574	83,249	(70,675)
Total operating expenses	73,060,814	78,526,865	(5,466,051)
Operating income (loss)	2,001,424	(2,800,280)	(4,801,704)
Nonoperating revenue:			
Interest income	191,714	119,671	(72,043)
Total nonoperating revenue	191,714	119,671	(72,043)
Change in net assets before transfers	2,193,138	(2,680,609)	(4,873,747)
Transfers out	(1,719,848)	(1,719,848)	—
Change in net assets	473,290	(4,400,457)	(4,873,747)
Net assets at beginning of year	11,576,676	11,576,676	—
Net assets at end of year	\$ 12,049,966	7,176,219	(4,873,747)

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Local Housing Fund
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues:			
Tenant rentals and sales	\$ 6,168,778	5,594,153	(574,625)
Other	110,031	220,505	110,474
Total operating revenues	<u>6,278,809</u>	<u>5,814,658</u>	<u>(464,151)</u>
Operating expenses:			
Administration	1,018,492	1,127,022	(108,530)
Tenant services	300	—	300
Utility services	330,363	562,195	(231,832)
Maintenance	815,820	1,263,552	(447,732)
Other	50,033	687,763	(637,730)
Depreciation and amortization	765,034	1,430,688	(665,654)
Total operating expenses	<u>2,980,042</u>	<u>5,071,220</u>	<u>(2,091,178)</u>
Operating income	<u>3,298,767</u>	<u>743,438</u>	<u>(2,555,329)</u>
Nonoperating revenue (expense):			
Intergovernmental	35,958	29,690	(6,268)
Interest expense	(3,100,468)	(3,747,669)	(647,201)
Interest income	1,063,650	1,168,301	104,651
Disposition of assets	—	171,925	171,925
Total nonoperating loss	<u>(2,000,860)</u>	<u>(2,377,753)</u>	<u>(376,893)</u>
Change in net assets before transfers	1,297,907	(1,634,315)	(2,932,222)
Transfers in	2,935,249	2,935,249	—
Change in net assets	<u>4,233,156</u>	<u>1,300,934</u>	<u>(2,932,222)</u>
Net assets at beginning of year	<u>12,921,327</u>	<u>12,921,327</u>	<u>—</u>
Net assets at end of year	<u>\$ 17,154,483</u>	<u>14,222,261</u>	<u>(2,932,222)</u>

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Senior Housing Fund

Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual

Year ended September 30, 2004

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Tenant rentals and sales	\$ 4,158,958	4,277,369	118,411
Other	150,870	115,455	(35,415)
Total operating revenues	4,309,828	4,392,824	82,996
Operating expenses:			
Administration	1,745,544	1,813,656	(68,112)
Tenant services	13,123	5,167	7,956
Utility services	441,959	422,501	19,458
Maintenance	1,573,649	1,368,812	204,837
Other	112,948	256,704	(143,756)
Depreciation and amortization	669,006	800,558	(131,552)
Total operating expenses	4,556,229	4,667,398	(111,169)
Operating loss	(246,401)	(274,574)	(28,173)
Nonoperating revenue:			
Interest income	21,228	44,730	23,502
Total nonoperating revenue	21,228	44,730	23,502
Change in net assets	(225,173)	(229,844)	(4,671)
Net assets at beginning of year	47,614,900	47,614,900	—
Net assets at end of year	\$ 47,389,727	47,385,056	(4,671)

NON-MAJOR FUNDS

Bay View Tower Fund - To account for the operations of the Bay View Tower apartment complex, which houses low income families.

Market House Fund - To account for the operations of the Market House apartment complex, which houses low income families.

Market Terrace Fund - To account for the operations of the Market Terrace apartment complex, which houses low income families.

Levy Fund - To account for the operations of rental units developed and assisted under the City of Seattle's Large Family Housing Levy program.

Referendum 37 Fund - To account for the operations of rental units which house physically and mentally disabled individuals.

Development Fund - To account for housing development activities for use as new and replacement housing for low-income residents. Also includes the Campus of Learners Foundation which was formed to raise fund for the Campus of Learners facility at Holly Park.

Home Ownership Fund - To account for home sales at Holly Park.

Community Facilities Fund - To account for the operations of the community facilities at New Holly.

Impact Property Services Fund (formerly Special Services) - To account for the operations of the solid waste, janitorial, landscaping and building maintenance services provided to the Authority's various locations as well as external customers.

Drug Elimination Grants Fund - To account for a drug abuse prevention program for residents which includes funding for additional police officers and a youth sports program. Funding for the program is provided by federal grants.

Manpower Demonstration Research Fund - To account for the operations of the Job Plus Demonstration program which has a minimum goal of tripling the employment rate among SHA residents. Funding is provided by the Manpower Demonstration Research Corporation.

Service Coordinator Fund - To account for the operations of a program that provides case management and community activities to elderly and disabled residents of Public Housing. Funding is provided by federal grants.

Neighborhood Network - To account for the operations of a learning center at Yesler Terrace community where users have access to computers, the Internet and training in order to achieve user defined self-sufficiency objectives.

Move to Work - To account for the operations of a grant to cover the additional expenses of the Authority's participation in the Moving to Work program and to cover costs of retaining needed external consulting expertise to maximize the effectiveness of this program. Funding is provided by a one time Federal grant.

Resident Service Delivery Model Grant (ROSS) - To account for the operations of a grant that offers services such as assessment, case management, training and support referrals, job placement, and career advancement which provide a foundation to obtain and maintain unsubsidized employment at a living wage.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Non-Major Funds

Combining Statement of Net Assets

September 30, 2004

Assets	Bay View Tower	Market House	Market Terrace	Levy	Referendum 37	Development
Current assets:						
Equity in pooled cash and cash equivalents	\$ —	—	87,023	—	—	115,220
Restricted cash	216,414	8,710	23,555	32,650	1,482	12,891
Equity in pooled investments	570,837	—	—	8,584	86,866	—
Accounts receivable:						
Tenant rentals and service charges	2,709	1,214	—	—	—	15,500
Other	1,308	4,360	—	9,436	199	2,187,682
Due from:						
Other funds	—	—	851	659	205,658	—
Other governments	—	—	—	—	—	—
Inventory and prepaid items	674	402	30	—	88	5,835
Restricted investments	463,737	18,357	141,519	378	—	—
Deferred charges	110,421	9,259	80,255	—	—	206
Total current assets	1,366,100	42,302	333,233	51,707	294,293	2,337,334
Noncurrent assets:						
Equity in pooled investments	335,254	—	—	5,041	51,016	—
Restricted investments	—	792,622	—	222	—	—
Capital assets:						
Land	222,336	675,659	1,064,205	91,000	54,600	4,741,265
Structures	3,476,878	2,862,731	1,744,033	494,545	491,850	3,062,949
Construction in progress	44,192	—	—	—	—	11,648
Equipment	9,197	7,850	—	—	—	1,647
Less accumulated depreciation	(2,057,094)	(795,544)	(94,468)	(134,969)	(323,869)	(109,520)
Notes receivable	—	—	—	—	434,001	10,966,238
Notes receivable from component units	—	—	—	—	—	498,612
Total noncurrent assets	2,030,763	3,543,318	2,713,770	455,839	707,598	19,172,839
Total assets	\$ 3,396,863	3,585,620	3,047,003	507,546	1,001,891	21,510,173

Exhibit G-1

	Home Ownership	Community Facilities	Impact Property Services	Manpower Demonstration Research	Service Coordinator	Neighborhood Network	Move to Work	Rosa Grant	Total Non-Major Funds
\$	—	141,751	300	200	—	—	—	—	344,494
	—	—	—	—	—	—	—	—	295,702
	—	—	97,534	—	—	—	—	—	763,821
	—	—	—	—	—	—	—	—	19,423
	—	73,870	186,670	—	—	—	—	—	2,463,525
	11,399	2,577,425	413,945	21,406	163,786	15,199	5,221	25,452	3,236,564
	—	—	—	—	—	—	—	—	204,437
	—	1,016	93,653	—	—	—	—	—	101,698
	—	—	—	—	—	—	—	—	623,991
	—	—	—	—	—	—	—	—	200,141
	11,399	2,794,062	792,102	21,606	163,786	15,199	5,221	25,452	8,253,796
	—	—	57,282	—	—	—	—	—	448,593
	—	—	—	—	—	—	—	—	792,844
	—	5,637,515	—	—	—	—	—	—	6,849,065
	—	—	—	—	—	—	—	—	17,770,501
	—	100,250	541,243	—	—	—	—	—	55,840
	—	(1,036,641)	(206,481)	—	—	—	—	—	660,187
	—	—	—	—	—	—	—	—	(4,758,586)
	—	30,684	—	—	—	—	—	—	11,430,923
	—	—	—	—	—	—	—	—	498,612
	—	4,731,808	392,044	—	—	—	—	—	33,747,979
\$	11,399	7,525,870	1,184,146	21,606	163,786	15,199	5,221	25,452	42,001,775

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Non-Major Funds
Combining Statement of Net Assets
September 30, 2004

Liabilities and Net Assets	Bay View Tower	Market House	Market Terrace	Levy	Referendum 37	Development
Current liabilities:						
Liabilities:						
Accounts payable:						
Vendors and contractors	\$ 10,788	3,703	94	465	185	95,638
Other	5,121	2,880	—	656	—	22,933
Accrued liabilities	31,008	4,750	18,387	333	491	46,773
Due to other funds	246,601	27,853	—	—	—	372,220
Current portion of long-term debt	43,728	80,915	28,959	—	—	4,732,032
Deferred revenue	—	—	—	—	310,754	500
Total current liabilities	337,246	120,101	47,440	1,454	311,430	5,270,096
Noncurrent liabilities:						
Due to other funds	—	—	—	—	—	7,467,880
Security deposits	16,366	8,710	8,035	600	1,482	9,991
Long-term debt, less current portion:						
Notes payable	—	—	—	443,472	—	236,153
Bonds payable	2,678,340	1,168,643	1,937,022	—	—	—
Accrued compensated absences	6,344	230	—	54	189	56,542
Total noncurrent liabilities	2,701,050	1,177,583	1,945,057	444,126	1,671	7,770,566
Total liabilities	3,038,296	1,297,684	1,992,497	445,580	313,101	13,040,662
Net assets:						
Investment in capital assets, net of related debt	(1,026,559)	1,501,138	747,789	7,104	222,581	2,739,804
Restricted for debt service	680,151	819,689	165,074	33,250	1,482	12,891
Unrestricted	704,973	(32,891)	141,643	21,612	464,727	5,716,816
Total net assets	358,567	2,287,936	1,054,506	61,966	688,790	8,469,511
Total liabilities and net assets	\$ 3,396,863	3,585,620	3,047,003	507,546	1,001,891	21,510,173

	Home Ownership	Community Facilities	Impact Property Services	Manpower Demonstration Research	Service Coordinator	Neighborhood Network	Move to Work	Ross Grant	Total Non-Major Funds
\$	600	155,948	48,311	—	13,275	—	—	—	329,007
	—	310	28,913	—	—	—	—	—	60,813
	9,598	—	689,388	10,809	6,115	2,726	—	10,618	830,996
	—	—	—	—	144,396	12,473	—	14,834	818,377
	—	—	—	—	—	—	—	—	4,885,634
	—	3,405	—	10,797	—	—	5,221	—	330,677
	10,198	159,663	766,612	21,606	163,786	15,199	5,221	25,452	7,255,504
	—	—	—	—	—	—	—	—	7,467,880
	—	—	—	—	—	—	—	—	45,184
	—	—	—	—	—	—	—	—	679,625
	—	—	—	—	—	—	—	—	5,784,005
	1,201	—	1,000,473	—	—	—	—	—	1,065,093
	1,201	—	1,000,473	—	—	—	—	—	15,041,727
	11,399	159,663	1,767,085	21,606	163,786	15,199	5,221	25,452	22,297,231
	—	4,701,124	334,762	—	—	—	—	—	9,227,743
	—	2,665,083	(917,701)	—	—	—	—	—	1,712,537
	—	7,366,207	(582,939)	—	—	—	—	—	8,764,264
	—	—	—	—	—	—	—	—	19,704,544
\$	11,399	7,525,870	1,184,146	21,606	163,786	15,199	5,221	25,452	42,001,775

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Non-Major Funds
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Year ended September 30, 2004

	<u>Bay View Tower</u>	<u>Market House</u>	<u>Market Terrace</u>	<u>Levy</u>	<u>Referendum 37</u>	<u>Development</u>
Operating revenues:						
Tenant rentals and sales	\$ 185,595	94,274	81,721	12,914	50,063	42,696
Other	2,149	1,187	2,999	102	2,068	370,840
Total operating revenues	187,744	95,461	84,720	13,016	52,131	413,536
Operating expenses:						
Administration	165,474	119,590	31,760	8,468	14,709	901,753
Tenant services	19,369	1,334	—	3,881	5	1,459
Utility services	74,604	35,273	11,353	7,069	3,636	21,411
Maintenance	143,341	78,128	24,136	7,294	11,498	64,812
Other	429	213	7,014	3	80	33,731
Depreciation and amortization	121,948	54,304	46,559	12,364	45,943	160,925
Total operating expenses	525,165	288,842	120,822	39,079	75,871	1,184,091
Operating income (loss)	(337,421)	(193,381)	(36,102)	(26,063)	(23,740)	(770,555)
Nonoperating income (expense):						
Intergovernmental	668,259	349,425	183,181	9,896	—	—
Interest expense	(78,439)	(105,249)	(109,091)	—	—	(148,147)
Interest income	14,663	31,308	2,009	510	3,197	838,651
Disposition of assets	—	—	—	—	175,930	(1,541,530)
Total nonoperating income (expense)	604,483	275,484	76,099	10,406	179,127	(851,026)
Change in net assets before transfers	267,062	82,103	39,997	(15,657)	155,387	(1,621,581)
Transfers in (out):						
Transfers in	—	—	—	—	—	3,473,809
Transfers out	(1,870,640)	—	—	(1,590,458)	(265,135)	—
Net transfers in (out)	(1,870,640)	—	—	(1,590,458)	(265,135)	3,473,809
Change in net assets	(1,603,578)	82,103	39,997	(1,606,115)	(109,748)	1,852,228
Total net assets at beginning of year	1,962,145	2,205,833	1,014,509	1,668,081	798,538	6,617,283
Total net assets at end of year	\$ 358,567	2,287,936	1,054,506	61,966	688,790	8,469,511

Home Ownership	Community Facilities	Impact Property Services	Drug Elimination Grants	Manpower Demonstration Research	Service Coordinator	Neighborhood Network	Move to Work	Ross Grant	Total Non-Major Funds
									467,263
6,144,642	307,763	949,745		3,315					7,784,810
6,144,642	307,763	949,745		3,315					8,252,073
388,094	154,155	432,398	12,526	3,183	133,473	6,814	17,642	196,962	2,587,001
	46,473		244,552	132	364,552	35,745		525	718,027
7,533	66,888								227,767
	171,613	947,534							1,448,356
		8,565			3,918	5,806	5,221		64,980
	210,834	44,538							697,415
395,627	649,963	1,433,035	257,078	3,315	501,943	48,365	22,863	197,487	5,743,546
5,749,015	(342,200)	(483,290)	(257,078)		(501,943)	(48,365)	(22,863)	(197,487)	2,508,527
			257,078		501,943	48,365	22,863	197,487	2,238,497
		(935)							(441,861)
	1,213	186							891,737
		(1,025)							(1,366,625)
	1,213	(1,774)	257,078		501,943	48,365	22,863	197,487	1,321,748
5,749,015	(340,987)	(485,064)							3,830,275
									18,974,412
12,814,733	2,285,870	400,000							(22,370,379)
(18,644,146)									(3,395,967)
(5,829,413)	2,285,870	400,000							
(80,398)	1,944,883	(85,064)							434,308
80,398	5,421,324	(497,875)							19,270,236
	7,366,207	(582,939)							19,704,544

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Non-Major Funds
Combining Statement of Cash Flows
Year ended September 30, 2004

	Bay View Tower	Market House	Market Terrace	Levy	Referendum 37	Development
Cash flows from operating activities:						
Receipts from residents	\$ 190,491	96,136	88,101	13,016	51,574	33,088
Receipts from other sources	10,364	26,145	1,232	(830)	1,686	197,787
Receipts from other funds	357,319	—	—	50,262	—	1,637,224
Payments to vendors	(453,497)	(185,782)	(70,974)	(22,399)	(42,531)	(352,999)
Payments to employees	(75,474)	(44,500)	(6,813)	(6,710)	(9,153)	(561,479)
Payments to other funds	—	(64,632)	(28,315)	—	(74,889)	—
Net cash provided by (used in) operating activities	29,203	(172,633)	(16,769)	33,339	(73,313)	953,621
Cash flows from noncapital financing activities:						
Operating grants received (paid)	668,259	344,391	183,181	9,896	—	—
Transfer from other funds	—	—	—	—	—	3,473,809
Transfer to other funds	(1,870,640)	—	—	(1,390,458)	(265,135)	—
Net cash provided by (used in) noncapital financing activities	(1,202,381)	344,391	183,181	(1,580,562)	(265,135)	3,473,809
Cash flows from capital and related financing activities:						
Purchases of property and equipment	(44,192)	—	—	—	—	(4,002,903)
Proceeds from dispositions of property and equipment	—	—	—	1,538,386	765,586	524,794
Payments on notes receivable	—	—	—	—	48,222	3,852
Issuance of notes	—	—	—	—	(482,223)	(3,183,418)
Proceeds from long-term borrowings	2,722,068	—	—	—	—	2,372,383
Payments of notes and bonds	(914,352)	(130,331)	(28,959)	—	—	—
Interest payments	(58,785)	(107,626)	(109,219)	—	—	(167,622)
Net cash provided by (used in) capital and related financing activities	1,704,739	(237,957)	(138,178)	1,538,386	331,585	(4,452,914)
Cash flows from investing activities:						
Interest received	13,439	47,508	2,009	530	3,097	49,622
Maturity of investment securities	3,665,388	832,114	138,843	59,499	386,742	—
Change in fair value of investments	—	—	—	—	—	—
Purchases of investment securities	(4,009,604)	(813,434)	(138,911)	(18,542)	(382,661)	—
Net cash provided by (used in) investing activities	(330,777)	66,188	1,941	41,487	7,178	49,622
Increase (decrease) in cash and cash equivalents	200,784	(11)	30,175	32,650	315	24,138
Cash and cash equivalents at beginning of year	15,630	8,721	80,403	—	1,167	103,973
Cash and cash equivalents at end of year	\$ 216,414	8,710	110,578	32,650	1,482	128,111
Reconciliation of operating income to net cash provided by (used in) operations:						
Operating income (loss)	\$ (337,421)	(193,381)	(36,102)	(26,063)	(23,740)	(770,555)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:						
Depreciation and amortization	121,948	54,304	46,559	12,364	45,943	160,925
Change in assets and liabilities:						
Accounts and interfund receivables	359,318	(35,150)	(28,313)	49,425	(74,593)	1,448,694
Inventory and prepaid items	(529)	(342)	—	—	(23)	(1,985)
Accounts payable	(11,577)	2,370	350	(2,001)	(21,661)	114,013
Accrued compensated absences	(2,607)	(423)	—	(386)	(81)	(3,044)
Other	(99,929)	(11)	737	—	842	5,573
Net cash provided by (used in) operating activities	\$ 29,203	(172,633)	(16,769)	33,339	(73,313)	953,621

Home Ownership	Community Facilities	Impact Property Services	Drug Elimination Grants	Manpower Demonstration Research	Service Coordinator	Neighborhood Network	Move to Work	Ross Grant	Total Non-Major Funds
\$									472,406
6,144,642	346,508	883,999							7,611,533
		(360,286)							1,842,301
(205,641)	(122,837)	(525,966)	(281,552)	3,314	142,362	12,106		(41,791)	(2,746,530)
(98,189)	(180,537)	(554,644)	(10,931)	(3,314)	(393,764)	(43,503)		(155,878)	(1,832,737)
(11,399)	(2,173,844)		(13,793)		(100,540)	(5,026)	(22,863)	(3,860)	(2,375,953)
							(5,221)		
5,829,413	(2,130,710)	(556,897)	(306,276)		(351,942)	(36,423)	(28,084)	(201,529)	2,971,000
			306,276		351,942	36,423	28,084	201,529	2,129,981
12,814,733	2,285,870	400,000							18,974,412
(18,644,146)									(22,370,379)
(5,829,413)	2,285,870	400,000	306,276		351,942	36,423	28,084	201,529	(1,265,986)
(12,079,778)	(115,276)	(36,103)							(16,278,252)
12,079,778									14,908,544
									52,074
	(11,177)								(3,676,818)
									5,094,451
									(1,073,642)
									(459,301)
		(16,049)							
	(126,453)	(52,152)							(1,432,944)
	1,213	15,320							132,738
		459,073							5,535,659
		(259,344)							(5,622,496)
	1,213	209,049							45,981
	29,920								317,971
	111,831	300		200					322,225
\$	141,751	300		200					640,196
\$	5,749,015	(342,200)	(483,290)	(257,078)		(501,943)	(48,365)	(22,863)	2,508,527
	210,834	44,538							697,415
(11,399)	(2,137,961)	(462,293)	(13,793)	3,314	142,362	12,107	(5,221)	(3,860)	(757,363)
83,695	(1,016)	(18,327)							61,473
6,901	136,771	264,222	(35,405)		7,639	(165)		(182)	461,275
1,201		98,253		(3,314)					89,599
	2,862								(89,926)
\$	5,829,413	(2,130,710)	(556,897)	(306,276)		(351,942)	(36,423)	(28,084)	2,971,000

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Non-Major Funds

Statement of Revenues, Expenses and Changes in Net Assets - Budget and Actual

Year ended September 30, 2004

	Budget	Actual	Variance Positive (Negative)
Operating revenues:			
Tenant rentals and sales	\$ 1,034,420	467,263	(567,157)
Other	5,642	1,329,090	1,323,448
Total operating revenues	1,040,062	1,796,353	756,291
Operating expenses:			
Administration	1,707,216	1,674,152	33,064
Tenant services	22,470	26,048	(3,578)
Utility services	131,751	153,346	(21,595)
Maintenance	896,709	1,276,743	(380,034)
Other	25,504	50,035	(24,531)
Depreciation and amortization	366,132	486,581	(120,449)
Total operating expenses	3,149,782	3,666,905	(517,123)
Operating loss	(2,109,720)	(1,870,552)	239,168
Nonoperating income (expense):			
Intergovernmental	1,167,317	1,210,761	43,444
Interest expense	(235,635)	(441,861)	(206,226)
Interest income	338,748	890,524	551,776
Disposition of assets	—	(1,366,625)	(1,366,625)
Total nonoperating income	1,270,430	292,799	(977,631)
Loss before transfers	(839,290)	(1,577,753)	(738,463)
Transfers:			
Transfers in	3,873,809	3,873,809	—
Transfers out	(3,726,233)	(3,726,233)	—
Total transfers	147,576	147,576	—
Change in net assets	(691,714)	(1,430,177)	(738,463)
Net assets at beginning of year	12,761,929	12,761,929	—
Net assets at end of year	\$ 12,070,215	11,331,752	(738,463)

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Notes to Combining Fund Statements and Schedules

September 30, 2003

Budgets and Budgetary Accounting

The Authority is required by the Federal government, its fiscal agents and grantors to adopt annual appropriated operating budgets for the Operating Fund, and all programs except for Capital programs within the Low Rent program, and certain grants in the other Nonmajor funds. All annual appropriations lapse at fiscal year-end. Annual operating budgets are not prepared and, therefore, are not included in this report for the following programs:

- Non-Major Fund (Home Ownership, Community Facilities, Drug Elimination Grant, Manpower Demonstration Research, Service Coordinator, Resident Services Delivery Model Grant, Welfare to Work, and Move to Work Program) - Budgets for these Non-Major funds are approved for the length of the individual programs or grants. Appropriations are authorized at the fund and expenditure category level, and effective budgetary control is achieved through the programs' or grants' periodic budgeting and reporting requirements.
- Low Rent Fund - Budgets for Capital Projects and HOPE VI Redevelopment projects within the Low Rent fund are approved for the length of the individual project rather than on an annual basis. Appropriations are authorized at the fund and expenditure category level, and effective budgetary control is achieved through the projects' periodic budgeting and reporting requirements.

The budgetary cycle is as follows:

- All budgets are prepared by the Authority's Department of Finance on a GAAP basis.
- Budgets for the Low Rent program are prepared for the upcoming fiscal year by the end of the current fiscal year and are approved by the Authority's Executive Director and its Board. During the year, appropriations can be adjusted as a result of revised estimates by the Authority and must be approved by the Executive Director. In accordance with the Authority's Moving to Work contract with HUD, the Authority's Low Rent operations and Capital budgets and the Section 8 program are no longer submitted to HUD for approval. In their place, the Authority prepares an annual Moving to Work Demonstration Plan, which is submitted to HUD for review and comment. Major budget revisions for programs authorized under the Authority's adopted annual budget are made with the approval of the Finance Director and the Executive Director, who serves as the Secretary/Treasurer of the Board. Such revisions are normally the result of changes in operations and estimates and do not require the approval of the Board of Commissioners. However, major budget revisions are presented to the Board on a case-by-case basis for ratification.
- The budget for the Section 8 program is prepared for the upcoming fiscal year as a part of the Authority's annual budget process. The Authority's Executive Director and its Board approve the budget.
- Budgetary control is at the function level for all funds.

A reconciliation of revenues, expenses and net operating income or loss for budgeted and unbudgeted funds within the Low Rent Program is presented below:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Loss</u>
Budgeted Low Rent Programs	\$ 12,148,489	34,264,958	(22,116,469)
Unbudgeted Low Rent Programs:			
Capital projects	—	4,852,506	(4,852,506)
Hope VI Redevelopment	10,080	851,223	(841,143)
Totals	<u>\$ 12,158,159</u>	<u>39,968,687</u>	<u>(27,810,118)</u>

A reconciliation of revenues, expenses and net operating income or loss for budgeted and unbudgeted Non-Major funds is presented below:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (loss)</u>
Budgeted Non-Major Funds	\$ 1,796,353	3,666,905	(1,870,552)
Unbudgeted Non-Major Funds:			
Home Ownership	6,144,642	395,627	5,749,015
Community Facilities	307,763	649,963	(342,200)
Drug Elimination Grants	—	257,078	(257,078)
Manpower Demonstration	3,315	3,315	—
Service Coordinator	—	501,943	(501,943)
Neighborhood Network	—	48,365	(48,365)
Move to Work	—	22,863	(22,863)
Ross Grant	—	197,487	(197,487)
Totals	<u>\$ 8,252,073</u>	<u>5,743,546</u>	<u>2,508,527</u>

During the year, the Authority made no budget revisions, which require supplemental budget action at the Board level.

COMPONENT UNITS

The following funds do not qualify for blending and are therefore classified as discretely presented component units of the Authority:

Holly Park Limited Partnership - which is reported as an Enterprise Fund, owns and operates NewHolly, phase one. NewHolly is a housing development which was funded in part by Hope VI grants.

Ravenna School Limited Partnership - which is reported as an Enterprise Fund, owns and operates Ravenna School, a senior housing community.

Othello Street Limited Partnership - which is reported as an Enterprise Fund, owns and operates NewHolly, phase two. NewHolly is a housing development which was funded in part by Hope VI grants.

Desdemona Limited Partnership - which is reported as an Enterprise Fund, owns and operates NewHolly, phase three. NewHolly is a housing development which was funded in part by Hope VI grants.

Escallonia Limited Partnership - which is reported as an Enterprise Fund, owns and operates Rainier Vista, phase one. Rainier Vista is a housing development which was funded in part by Hope VI grants.

High Point North Limited Partnership - which is reported as an Enterprise Fund, owns and operates High Point North, phase one. High Point North is a housing development which was funded in part by Hope VI grants.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Combining Statement of Net Assets - Component Units

December 31, 2003

	Holly Park Limited Partnership	Ravenna School Limited Partnership	Othello Street Limited Partnership
Assets			
Current assets:			
Equity in cash and cash equivalents	\$ 348,170	12,981	326,065
Restricted cash and cash equivalents	1,457,700	72,432	187,686
Accounts receivable:			
Tenant rentals and service charges	16,676	303	8,904
Other	—	5,053	—
Inventory and prepaid items	61,263	8,633	27,519
Restricted investments	1,105,352	—	614,231
Deferred charges	174,809	20,899	478,976
Total current assets	3,163,970	120,301	1,643,381
Noncurrent assets:			
Restricted investments	391,650	—	—
Capital assets:			
Structures	37,945,355	1,426,514	15,657,437
Construction in progress	—	—	—
Equipment	1,440,099	32,071	369,831
Accumulated depreciation	(5,849,923)	(229,768)	(1,204,247)
Total noncurrent assets	33,927,181	1,228,817	14,823,021
Total assets	\$ 37,091,151	1,349,118	16,466,402
Liabilities and Net Assets			
Current liabilities:			
Liabilities:			
Accounts payable:			
Vendors and contractors	\$ 333,275	4,286	50,335
Other	7,555	62,022	353,414
Accrued liabilities	336,176	23,628	363,994
Current portion of long-term debt	90,000	—	30,000
Total current liabilities	767,006	89,936	797,743
Noncurrent liabilities:			
Security deposits	75,325	3,500	23,250
Long-term debt, less current portion:			
Notes payable to primary government	18,440,699	529,727	6,195,384
Notes payable	1,700,000	—	2,000,000
Bonds payable	5,170,000	—	2,385,000
Total noncurrent liabilities	25,386,024	533,227	10,603,634
Total liabilities	26,153,030	623,163	11,401,377
Net assets:			
Invested in capital assets, net of related debt	8,134,832	699,090	4,212,637
Restricted for debt service	2,879,377	—	778,667
Unrestricted	(76,088)	26,865	73,721
Total net assets	10,938,121	725,955	5,065,025
Total liabilities and net assets	\$ 37,091,151	1,349,118	16,466,402

Exhibit H-1

<u>Desdemona Limited Partnership</u>	<u>Escallonia Limited Partnership</u>	<u>High Point North Limited Partnership</u>	<u>Total</u>
\$ 3,456,533	15,540	15,639	4,174,928
—	—	—	1,717,818
—	—	—	25,883
—	—	16,123	21,176
—	—	—	97,415
18,623	22,516,893	—	24,255,099
—	—	274,600	949,284
3,475,156	22,532,433	306,362	31,241,603
20,299,189	—	32,000,000	52,690,839
—	—	—	55,029,306
8,114,048	4,328,414	1,826,195	14,268,657
—	—	—	1,842,001
—	—	—	(7,283,938)
28,413,237	4,328,414	33,826,195	116,546,865
\$ 31,888,393	26,860,847	34,132,557	147,788,468

\$ 341,386	529,517	1,024,383	2,283,182
294,581	733,035	301,944	1,752,551
24,198	903,203	15,649	1,666,848
3,847,085	—	—	3,967,085
4,507,250	2,165,755	1,341,976	9,669,666
—	—	—	102,075
2,121,429	3,077,092	790,581	31,154,912
2,000,000	—	—	5,700,000
22,500,000	22,500,000	32,000,000	84,555,000
26,621,429	25,577,092	32,790,581	121,511,987
31,128,679	27,742,847	34,132,557	131,181,653
145,534	1,251,322	1,035,614	15,479,029
614,180	16,893	—	4,289,117
—	(2,150,215)	(1,035,614)	(3,161,331)
759,714	(882,000)	—	16,606,815
\$ 31,888,393	26,860,847	34,132,557	147,788,468

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Combining Statement of Revenues, Expenses and Changes in Net Assets -
Component Units
Year ended December 31, 2003

	Holly Park Limited Partnership	Ravenna School Limited Partnership	Othello Street Limited Partnership	Desdemona Limited Partnership	Escallonia Limited Partnership	Total
Operating revenues:						
Rental income	\$ 1,712,380	169,160	589,958	—	—	2,471,498
Other	29,115	1,525	9,092	—	—	39,732
Total operating revenues	1,741,495	170,685	599,050	—	—	2,511,230
Operating expenses:						
Administration	616,637	88,102	187,013	—	—	891,752
Utility services	75,232	22,016	36,908	—	—	134,156
Maintenance	471,016	60,749	93,058	—	—	624,823
Other	9,217	—	30,360	—	18	39,595
Depreciation and amortization	1,335,740	58,213	492,214	—	—	1,886,167
Total operating expenses	2,507,842	229,080	839,533	—	18	3,576,493
Operating loss	(766,347)	(58,395)	(240,503)	—	(18)	(1,065,263)
Nonoperating revenue (expense):						
Interest expense	(490,027)	(6,646)	(357,489)	—	(882,000)	(1,736,162)
Interest income	56,026	731	5,406	—	—	62,163
Total nonoperating revenue (expense)	(434,001)	(5,915)	(352,083)	—	(882,000)	(1,673,999)
Change in net assets before contributions	(1,200,348)	(64,310)	(592,586)	—	(882,018)	(2,739,262)
Partners' contribution	—	—	—	759,714	—	759,714
Change in net assets	(1,200,348)	(64,310)	(592,586)	759,714	(882,018)	(1,979,548)
Total net assets, beginning of year	12,138,469	790,265	5,657,611	—	18	18,586,363
Total net assets, end of year	\$ 10,938,121	725,955	5,065,025	759,714	(882,000)	16,606,815

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HOUSING AUTHORITY OF THE CITY OF SEATTLE

Component Units

Combining Statement of Cash Flows

Year ended December 31, 2003

	Holly Park Ltd Partnership	Ravenna School Ltd Partnership	Othello Street Ltd Partnership
Cash flows from operating activities:			
Receipts from residents	\$ 1,706,767	169,853	588,602
Receipts from other sources	29,127	28,675	9,092
Advances from affiliates	—	—	—
Payments to vendors	(581,239)	(151,687)	(194,957)
Payments to employees	(496,494)	(45,211)	(133,857)
Net cash provided by (used in) operating activities	658,161	1,630	268,880
Cash flows from capital and related financing activities:			
Acquisition & Construction of capital assets	—	—	—
Increase in outstanding debt	—	—	—
Principal paid on outstanding debt	(85,000)	—	(25,000)
Mortgage costs paid	—	—	—
Interest paid	(535,862)	(1,349)	(190,617)
Contributions from partner	—	—	—
Net cash provided by (used in) capital and related financing activities	(620,862)	(1,349)	(215,617)
Cash flows from investing activities:			
Investments purchased	(47,357)	—	(486,964)
Proceeds for maturities of investments	123,194	—	194,917
Interest received	56,026	731	5,406
Net cash provided by (used in) investing activities	131,863	731	(286,641)
Net increase (decrease) in cash and cash equivalents	169,162	1,012	(233,378)
Cash and cash equivalents beginning of year	1,636,708	84,401	747,129
Cash and cash equivalents end of year	\$ 1,805,870	85,413	513,751
Reconciliation of operating income to net cash provided by (used in) operations:			
Operating loss	\$ (766,347)	(58,395)	(240,503)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,335,740	58,213	492,214
Change in assets and liabilities:			
Accounts receivable	17,010	27,543	314
Inventory and prepaid items	(18,589)	(8,319)	(1,029)
Accounts payable	90,347	(17,712)	18,584
Other	—	300	(700)
Total adjustments	1,424,508	60,025	509,383
Net cash used in operating activities	\$ 658,161	1,630	268,880

Exhibit H-3

Desdemona Ltd Partnership	Escallonia Ltd Partnership	High Point North Ltd Partnership	Total
\$ —	—	—	2,465,222
600,860	550,702	—	1,218,456
—	733,035	—	733,035
—	—	1,325,853	397,970
—	—	—	(675,562)
600,860	1,283,737	1,325,853	4,139,121
(6,942,476)	(3,459,559)	(1,826,195)	(12,228,230)
6,856,247	24,658,237	32,790,581	64,305,065
—	—	—	(110,000)
—	—	(274,600)	(274,600)
—	—	—	(727,828)
759,714	—	—	759,714
673,485	21,198,678	30,689,786	51,724,121
(1,645,199)	(22,542,055)	(32,000,000)	(56,721,575)
3,827,387	25,162	—	4,170,660
—	—	—	62,163
2,182,188	(22,516,893)	(32,000,000)	(52,488,752)
3,456,533	(34,478)	15,639	3,374,490
—	50,018	—	2,518,256
\$ 3,456,533	15,540	15,639	5,892,746
\$ —	(18)	—	(1,065,263)
—	—	—	1,886,167
16,280	—	—	61,147
—	—	—	(27,937)
217,770	1,262,552	1,325,853	2,897,394
366,810	21,203	—	387,613
600,860	1,283,755	1,325,853	5,204,384
\$ 600,860	1,283,737	1,325,853	4,139,121

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0044 (exp. 04/30/2004)
OMB Approval No. 2577-0157 (exp. 12/31/99)

Comprehensive Improvement Assistance Program (CIAP) Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name: SEATTLE HOUSING AUTHORITY	Modernization Project Number: WA19-P001501-01
--	---

The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$ 14,729,498.00
B. Funds Disbursed	\$ 14,729,498.00
C. Funds Expended (Actual Modernization Cost)	\$ 14,729,498.00
D. Amount to be Recaptured (A-C)	\$ --0--
E. Excess of Funds Disbursed (B-C)	\$ --0--

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

5. That the time in which such liens could be filed has expired;

I hereby certify that all the information stated herein, as well as any information provided in the accompanying herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

X *Thomas M. Tierney*
THOMAS M. TIERNEY, EXECUTIVE DIRECTOR

AUGUST 17th, 2004

For HUD Use Only

The Cost Certificate is approved for audit.

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

X *[Signature]*
The audited costs agree with the costs shown above:
Verified: (Designated HUD Official)

11/10/04
Date:

X
Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

Form HUD-53001 (10/95)
ref Handbook 7485.1 a.3

Actual Modernization Cost Certificate

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0044 (exp. 04/30/2004)
OMB Approval No. 2577-0157 (exp. 12/31/99)

Comprehensive Improvement Assistance Program (CIAP)
Comprehensive Grant Program (CGP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to this collection are required by regulation. The information requested does not lend itself to confidentiality.

HA Name:

SEATTLE HOUSING AUTHORITY

Modernization Project Number:

WA19-R001501-02

The HA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Modernization Grant, is as shown below:

A. Original Funds Approved	\$ 151,573.00
B. Funds Disbursed	\$ 151,573.00
C. Funds Expended (Actual Modernization Cost)	\$ 151,573.00
D. Amount to be Recaptured (A-C)	\$ 0.00
E. Excess of Funds Disbursed (B-C)	\$ 0.00

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and

5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompanying herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature of Executive Director & Date:

Thomas M. Tierney

THOMAS M. TIERNEY, EXECUTIVE DIRECTOR

AUGUST 17th, 2004

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

The audited costs agree with the costs shown above:

Verified (Designated HUD Official)

Date:

X

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

X

Form HUD-53001 (10/95)
rel Handbooks 7485.1 & 9

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**The Housing Authority of the
City of Seattle, Washington**

**Statistical Section
(Unaudited)**

Section III

1. The first part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

2. The second part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

3. The third part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

4. The fourth part of the paper is devoted to a discussion of the general principles of the theory of the structure of the atom.

STATISTICAL SECTION

This section provides additional information regarding the Authority in the following categories:

Financial Information
Demographics

Tables 1 - 6
Tables 7 - 8

This information was compiled by the Authority.

Table 1

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Operating Fund Expenses by Function
Last Ten Fiscal Years (Unaudited)

Fiscal Year		Admini- stration	Tenant Services	Utilities	Maintenance	Other	(1) Depreciation & Amortization	Total
1995	\$	342,321	577,279	42,701	116,142	202,517	—	1,280,960
1996		683,680	485,570	56,693	141,959	4,793	—	1,372,695
1997		342,234	337,047	59,293	146,032	180,924	—	1,065,530
1998		338,438	563,001	55,111	188,323	12,130	—	1,157,003
1999		574,945	505,131	53,985	240,704	9,541	—	1,384,306
2000		546,788	401,712	57,373	232,142	39,269	—	1,277,284
2001		676,433	529,297	69,111	186,994	9,355	—	1,471,190
2002		624,968	321,036	124,805	229,443	30,086	673,624	2,003,962
2003		692,646	330,295	178,976	349,717	25,533	831,323	2,408,490
2004		635,848	196,216	178,771	515,249	45,971	796,028	2,368,083

(1) Depreciation was not required under the previous Government Fund Reporting Model

Table 2

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Operating Expenses by Function - Primary Government
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Admini- stration	Tenant Services	Utilities	Housing Assistance Payments	Maintenance	Depreciation & Amortization	Other	Total
2002	\$ 28,309,341	2,975,192	5,781,141	53,824,569	15,054,315	9,809,050	3,909,637	119,663,245
2003	28,035,895	2,877,693	5,254,899	65,156,211	16,275,910	10,199,726	8,436,704	136,237,038
2004	26,024,065	2,242,826	5,177,870	71,889,208	18,133,133	11,166,605	1,712,092	136,345,799

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB 34.

Table 3

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Operating Revenues By Source - Primary Government
Last Ten Fiscal Years (Unaudited)

Year	Tenant Rentals and Sales		Housing Assistance Payment Subsidies		Other		Total	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Total
2002	\$ 17,198,871	19.0%	67,010,540	74.2%	6,079,556	6.7%	90,288,967	100.0%
2003	18,776,018	19.6%	71,278,909	74.5%	5,622,755	5.9%	95,677,682	100.0%
2004	19,990,759	18.3%	75,725,763	69.3%	13,619,504	12.5%	109,336,026	100.0%

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB 34.

Table 4

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Nonoperating Revenues By Source - Primary Government
Last Ten Fiscal Years (Unaudited)

Year	Intergovernmental		Interest Income		Total	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Total
2002	\$ 17,954,601	84.5%	3,295,317	15.5%	21,249,918	100.0%
2003	17,701,294	89.5%	2,079,480	10.5%	19,780,774	100.0%
2004	17,347,758	87.7%	2,422,737	12.3%	19,770,495	100.0%

Note: Prior years data not available due to the conversion to the Enterprise Fund Model under GASB 34.

Table 5

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Schedule of General Revenue Bond Coverage
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Debt Service		Total Debt Service	General Expense (1)	Ratio of Debt Service to General Expenses
	Principal	Interest			
<u>Villa Park 1996 Bonds</u>					
1997	\$ —	55,867	55,867	—	0.0
1998	—	111,061	111,061	179,893	0.6
1999	25,000	120,126	145,126	224,131	0.6
2000	30,000	118,740	148,740	427,576	0.3
2001	30,000	117,275	147,275	466,989	0.3
2002	30,000	116,103	146,103	1,667,735	0.1
2003	30,000	114,873	144,873	178,085	0.8
2004	35,000	113,147	148,147	179,791	0.8
<u>Wakefield 2000 Bonds for Wallingford</u>					
2000	15,468	27,676	43,144	902,551	0.0
2001	24,588	40,128	64,716	930,351	0.1
2002	26,353	38,363	64,716	1,330,338	0.0
2003	28,236	36,480	64,716	773,846	0.1
2004	30,299	34,417	64,716	854,780	0.1
<u>Telemark 2001 Bonds</u>					
2001	—	48,753	48,753	66,129	0.7
2002	25,000	173,479	198,479	119,772	1.7
2003	30,000	172,896	202,896	89,037	2.3
2004	30,000	171,756	201,756	128,387	1.6
<u>Wedgewood 2001 Variable rate bonds</u>					
2001	—	20,153	20,153	192,937	0.1
2002	130,000	59,814	189,814	1,241,767	0.2
2003	130,000	44,802	174,802	979,865	0.2
2004	135,000	39,831	174,831	897,686	0.2
<u>Wakefield/Porchlight 2002 Bonds</u>					
2002	—	218,151	218,151	1,330,338	0.2
2003	100,000	479,398	579,398	773,846	0.7
2004	130,000	477,972	607,972	854,780	0.7
<u>Mary Avenue 2002 Bonds</u>					
2002	—	4,344	4,344	19,508	0.2
2003	16,041	58,697	74,738	38,572	1.9
2004	16,041	60,500	76,541	69,941	1.1
<u>Montridge Arms 2002 Bonds</u>					
2002	—	65,290	65,290	53,879	1.2
2003	25,000	103,690	128,690	97,468	1.3
2004	25,000	102,965	127,965	105,846	1.2
<u>Market Terrace 2002 Bonds</u>					
2002	—	7,841	7,841	13,435	0.6
2003	28,959	105,966	134,925	100,467	1.3
2004	28,959	109,219	138,178	74,263	1.9

Table 5, cont.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Schedule of General Revenue Bond Coverage
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Debt Service		Total Debt Service	General Expense (1)	Ratio of Debt Service to General Expenses
	Principal	Interest			
<u>Longfellow Creek 2003 Bonds</u>					
2003	\$ —	47,745	47,745	87,830	0.5
2004	—	143,739	143,739	496,191	0.3
<u>HOPE VI Replacement Housing 2003 Bonds</u>					
2003	125,000	597,188	722,188	640,643	1.1
2004	125,000	608,672	733,672	674,351	1.1
<u>Bayview/Lake City Commons 2004 Bonds</u>					
2004	—	30,850	30,850	554,377	0.1
<u>Yesler Community Replacement 2004 Bonds</u>					
2004	—	50,568	50,568	23,565	2.1

Table 6

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Schedule of Debt Service Coverage
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Debt Service		Total Debt Service	Gross Revenues (1)	Operating Expense (2)	Net Revenue Available for Debt Service	Debt Service Coverage Ratio
	Principal	Interest					
Market House 1982 and 1994 Bonds							
1995	\$ 50,000	145,862	195,862	576,691	253,191	323,500	1.7
1996	155,000	157,925	312,925	520,244	282,354	237,890	0.8
1997	160,000	143,352	303,352	534,096	210,381	323,715	1.1
1998	165,000	140,975	305,975	493,042	219,014	274,028	0.9
1999	175,000	131,730	306,730	501,942	207,894	294,048	1.0
2000	110,497	125,613	236,110	490,991	228,627	262,364	1.1
2001	122,445	116,885	239,330	500,295	231,315	268,980	1.1
2002	127,143	109,684	236,827	489,739	239,849	249,890	1.1
2003	129,612	104,090	233,702	463,893	229,409	234,484	1.0
2004	130,331	104,423	234,754	476,194	234,538	241,656	1.0

(1) Gross revenues include operating revenues, subsidy, and interest income.

(2) Expenses include all operating expenses except depreciation and amortization.

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HOUSING AUTHORITY OF THE CITY OF SEATTLE

Tenant Demographics: Population Statistics Last Ten Fiscal Years (Unaudited)

Public Housing Program						
Calendar Year (2)	Adults	Elderly	(1) Handicapped/ Disabled	Minors	Total Number of Tenants	(1) Handicapped/ Disabled
1995	3,441	873	3,939	4,853	13,106	—
1996	3,480	781	3,897	4,719	12,877	—
1997	2,907	638	3,623	4,332	11,500	—
1998	5,457	1,696	—	3,949	11,102	3,395
1999	5,569	1,679	—	3,921	11,169	3,231
2000	5,641	1,642	—	4,014	11,297	3,164
2001	5,109	1,589	—	3,346	10,044	3,047
2002	5,214	1,875	—	2,583	9,672	1,993
2003	5,024	1,354	—	2,936	9,314	1,899
2004	5,308	1,406	—	2,945	9,659	1,818
Section 8 Program						
Calendar Year (2)	Adults	Elderly	(1) Handicapped/ Disabled	Minors	Total Number of Tenants	(1) Handicapped/ Disabled
1995	2,654	383	1,338	3,844	8,219	—
1996	2,834	380	1,415	3,825	8,454	—
1997	2,765	938	1,443	4,063	9,209	—
1998	4,253	1,019	—	4,374	9,646	1,858
1999	4,714	1,041	—	4,500	10,255	2,188
2000	5,251	1,061	—	4,994	11,306	2,315
2001	4,940	1,003	—	5,218	11,161	2,419
2002	6,285	1,150	—	5,784	13,219	2,160
2003	6,584	1,131	—	6,310	14,025	2,128
2004	6,732	1,158	—	6,210	14,100	2,168

Table 7

Senior and Local Housing Programs				Total Number of Tenants	(1) Handicapped/ Disabled
Adults	Elderly	(1) Handicapped/ Disabled	Minors		
26	829	386	—	1,241	—
38	822	368	—	1,228	—
85	935	232	—	1,252	—
306	937	—	—	1,243	387
319	927	—	—	1,246	413
349	903	—	—	1,252	461
195	884	—	—	1,079	404
276	761	—	—	1,037	147
572	867	—	186	1,625	266
596	899	—	222	1,717	240
Agency Wide Totals				Total Number of Tenants	(1) Handicapped/ Disabled
Adults	Elderly	Handicapped/ Disabled	Minors		
6,121	2,085	5,663	8,697	22,566	—
6,352	1,983	5,680	8,544	22,559	—
5,757	2,511	5,298	8,395	21,961	—
10,016	3,652	—	8,323	21,991	5,640
10,602	3,647	—	8,421	22,670	5,832
11,241	3,606	—	9,008	23,855	5,940
10,244	3,476	—	8,564	22,284	5,870
11,775	3,786	—	8,367	23,928	4,300
12,180	3,352	—	9,432	24,964	4,293
12,636	3,463	—	9,377	25,476	4,226

(1) Prior to 1997, handicapped and disabled were excluded from the adult, elderly and minor categories. For greater clarity, in fiscal years 1998 and after, handicapped and disabled are separately reported.

(2) 2001 data is presented on a fiscal year basis rather than calendar year.

Table 8

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Property Characteristics and Dwelling Unit Composition
September 30, 2004 (Unaudited)

Public Housing			
Name of Development	Address	Number of Units	Year Built or Acquired
Ballard House	2445 NW 57th Street	79	1969
Barton Place	9201 Rainier Avenue S.	90	1971
Beacon Tower	1311 S. Massachusetts	108	1971
Bell Tower	2215 - 1st Avenue	119	1970
Cal-Mor Circle	6420 California Avenue SW	74	1969
Capitol Park	525 - 14th Avenue E.	125	1971
Cedarvale House	11050 - 8th Avenue NE	118	1971
Cedarvale Village	11050 - 8th Avenue NE	24	1971
Center Park	2121 - 26th Avenue S.	137	1969
Center West	533 - 3rd Avenue W.	91	1969
Denny Terrace	100 Melrose Avenue E.	221	1969
Greenlake Plaza	505 NE 70th Street	130	1970
Harvard Court	610 Harvard Avenue E.	80	1969
High Point	3000 SW Graham Street	327	1942
Holly Court	3804 S. Myrtle	97	1979
International Terrace	202 - 6th Avenue S.	100	1972
Jackson Park House	14396 - 30th Avenue NE	71	1970
Jackson Park Village	14396 - 30th Avenue NE	41	1970
Jefferson Terrace	800 Jefferson Street	299	1967
Lake City House	12546 - 33rd Avenue NE	115	1971
Lictionwood	9009 Greenwood Avenue N.	81	1971
Longfellow Creek	5915 Delridge Way SW	30	2003
NewHolly	7050 - 32nd Avenue S.	401	1999
Olive Ridge	1700 - 17th Avenue	107	1969
Olympic West	110 W. Olympic Place	75	1971
Queen Anne Heights	1212 Queen Anne Avenue N.	52	1971
Rainier Vista	4500 Martin Luther King Jr. Way S.	205	1942
Ross Manor	1420 Western Avenue	100	1983
Scattered Sites	Various	789	various
Stewart Manor	6339 - 34th Avenue	74	1969
Tri-Court	720 N. 143rd	87	1971
University House	4700 - 12th Avenue NE	101	1972
University West	4544 - 7th Avenue NE	113	1971
Westwood Heights	9455 27th Avenue SW	130	1971
West Town View	1407 2nd Avenue W	59	1978
Wisteria Court	7544 24th Ave SW	20	2003
Yesler Terrace	903 E. Yesler Way	561	1941
Partnership units	Various	50	various
Total units - Public Housing		5,481	

(Continued)

Table 8, cont.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Property Characteristics and Dwelling Unit Composition

September 30, 2004 (Unaudited)

Section 8			
Name of Development	Address	Number of Units	Year Built or Acquired
Housing Choice Vouchers	various	7,861	various
Moderate Rehabilitation	various	760	various
Bay View Tower	2614 - 4th Ave	100	1978
Market House	1531 - 1st Ave	51	1984
Market Terrace	1115 NW Market St	30	2002
Total number of Section 8 Units		8,802	
Senior Housing			
Name of Development	Address	Number of Units	Year Built or Acquired
Bitter Lake Manor	620 N. 130th	72	1984
Blakeley Manor	2401 NE Blakeley	70	1984
Carroll Terrace	600 - 5th Avenue W.	26	1985
Columbia Place	4628 S. Holly	65	1984
Daybreak	1515 2nd Ave N.	3	1986
Fort Lawton Place	3401 W. Government Way	24	1984
Fremont Place	4601 Phinney Avenue N.	31	1984
Gideon-Mathews Gardens	323 - 25th Avenue S.	45	1986
Heritage House	1533 Western Avenue	62	1990
Island View	3031 California Avenue SW	48	1984
Keystone House	3515 Woodland Park N.	32	1986
Leschi House	1011 S. Weller	34	1988
Michaelson Manor	320 W. Roy	57	1985
Nelson Manor	220 NW 58th	32	1985
Olmsted Manor	501 NE Ravenna Blvd.	35	1985
Phinney Terrace	6561 Phinney Avenue N.	51	1984
Pinehurst Court	12702 15th Avenue NE	73	1983
Pleasant Valley Plaza	3801 34th Avenue W.	41	1984
Primeau Place	308 - 14th Avenue E.	53	1984
Ravenna School Apartments	6564 Ravenna Avenue NE	39	1986
Reunion House	530 - 10th Avenue E.	28	1984
Schwabacher House	1715 NW 59th Street	44	1984
South Park Manor	520 S. Cloverdale	27	1984
Sunrise Manor	1530 NW 57th Street	32	1985
Wildwood Glen	4501 SW Wildwood	24	1983
Willis House	6341 - 5th Ave NE	42	1984
Total number of Senior Housing units		1,090	

(Continued)

Table 8, Cont.

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Property Characteristics and Dwelling Unit Composition
September 30, 2004 (Unaudited)

Other Housing Programs			
Name of Development	Address	Number of Units	Year Built or Acquired
104th St Townhomes	528 N 104th	3	2001
Aldercrest	6520 35th Ave SW	36	2004
Coach House	1056 N. 35th Street	8	1997
Fir Street Townhomes	various	7	2003
Lake City Commons	12745 30th Ave NE	15	2003
Lam Bow Apartments	6935 Delridge Way SW	51	2003
Levy Program	various	19	various
Longfellow Creek Apartments	5915 Delridge Way SW	54	2003
Main Place II	308 22nd Ave S	25	2004
Main Street Apartments	2035 S Main St	11	2004
Mary Avenue Townhomes	8550-84 Mary Ave NW	8	2002
MLK Townhomes	various	6	2003
Monridge Arms Apartments	9000 27th Ave SW	33	2002
Norman Street Townhomes	various	15	2003
Referendum 37	various	8	various
Ritz Apartments	1302 E Yesler Way	30	2004
South of Holly redevelopment	various	8	2003
Spruce Street Townhomes	various	10	2003
Stone Ave Townhomes	8514 Stone Ave N	4	2001
Telemark Apartments	2850 NW 56th St	24	1999
Villa Park Townhomes	9111 50th Avenue S.	43	1995
Wedgewood Estates	3716 NE 75th	204	2001
Westwood Heights East Apis	9440 27th Ave SW	42	2003
Westwood Heights Fourplexes	9940 27th Ave SW	24	2002-2003
Wisteria Court	7544 24th Ave SW	76	2003
Yesler Court	114 23rd Ave	9	2004
Total number other units		773	
Total number of units - All Programs		16,146	

APPENDIX B: HOUSEHOLD AND APPLICANT DEMOGRAPHICS

This Appendix provides specific data on changes in the number and characteristics of housed households or applicants over the past fiscal year. Slight variations in totals from table to table indicate that some detailed data is missing for a few households. Hispanic households and applicants included are in their claimed race, e.g. White, African/African American, etc.

Existing Households

Race of head of household

Low-Income Public Housing Residents as of 9/30/2005

Community type	White	African/ American	Native American	Asian/ Asian American	Native Hawaiian & Pacific Islander	Total
Garden Communities	127	554	25	544	1	1,251
Townhouses	11	30	2	17		60
Scattered Sites	184	335	15	143		677
Mixed Income	21	23	1	2		47
Partnership Units*	9	32	1	8		50
High-Rises	1,721	693	74	430		2,918
LIPH Total	2,073	1,667	118	1,144	1	5,003
Percent: Actual	41.44%	33.32%	2.36%	22.87%	0.02%	
FY 2005 Plan Projection**	2,061	1,552	117	1,118	9	4,857
Percent: Projected	42.43%	31.95%	2.41%	23.02%	0.19%	100%
% Change from Projections	0.58%	7.41%	0.85%	2.33%	88.89%	3.01%
Difference in Ratios	-1.00%	1.37%	-0.05%	-0.15%	-0.17%	

*Excludes six households whose race is unknown.

**Excludes seven households whose race is unknown.

Section 8 Program Participants as of 9/30/2005

Program	White	African/ American	Native American	Asian/ Asian American	Native Hawaiian & Pacific Islander	Total
HCV Tenant-based**	1,900	2,102	86	560	19	4,667
HCV Project-based	620	348	23	129	13	1,133
S8 New Construction	65	26	3	1	0	95
S8 Mod Rehab	407	141	30	142	3	723
Section 8 Total	2,992	2,617	142	832	35	6,618
Percent: Actual	45.21%	39.54%	2.15%	12.57%	0.53%	
FY 2005 Plan Projection	3,125	2,782	139	862	34	6,942
Percent of Total: Projected	45.02%	40.07%	2.00%	12.42%	0.49%	100%
% Change from Projections	-4.26%	-5.93%	2.16%	3.48%	2.94%	-4.67%
Difference in Ratios	0.19%	-0.53%	0.14%	-0.15%	-0.04%	

**Excludes households that have left SHA's jurisdiction (1,333 households, a.k.a. port-outs) and those who live in SSHP and are counted in those tables (138 households), and includes households that have entered SHA's jurisdiction (432 households, a.k.a. port-ins).

SSHP Residents as of 9/30/2005

Program	White	African/ African American	Native American	Asian & Pacific Islander	Total
SSHP Total	704	106	13	140	963
Percent: Actual	73.10%	11.01%	1.35%	14.54%	100%
FY 2005 Plan Projection	714	106	8	127	955
Percent: Projected	74.76%	11.10%	0.84%	13.30%	100%
% Change from Projections	-1.46%	0.00%	62.50%	10.24%	0.84%
Difference in Ratios	1.66%	-0.09%	0.51%	1.24%	

Income distribution as a percent of median income

2005 Median Incomes Levels for the Seattle-Bellevue-Everett Area

Family Size	30% Median	50% Median	80% Median
Single Individual	\$16,350	\$27,250	\$40,600
Family of Two	\$18,700	\$31,150	\$46,400
Family of Three	\$21,050	\$35,050	\$52,200
Family of Four	\$23,350	\$38,950	\$58,000
Family of Five	\$25,250	\$42,050	\$62,650
Family of Six	\$27,100	\$45,200	\$67,300
Family of Seven	\$29,000	\$48,300	\$71,900
Family of Eight	\$30,850	\$51,400	\$76,550

Distribution of Households' Annual Income as of 9/30/2005

Program	Below 30% Median Income	30% - 50% Median Income	50% - 80% Median Income	Over 80% Median Income	Total
Low Income Public Housing	4,313	558	117	15	5,003
HCV Tenant-Based*	4,017	548	100	2	4,667
HCV Project-Based	1,081	44	8	0	1,133
Section 8 Mod Rehab	698	22	3	0	723
Section 8 New Construction	83	10	2	0	95
Seattle Senior Housing Program	827	116	17	3	963
Total Households	11,019	1,298	247	20	12,584
Percent: Actual	87.56%	10.31%	1.96%	0.16%	100%
FY 2005 Projected Total	11,295	1,247	183	26	12,751
Percent: Projected	88.58%	9.78%	1.44%	0.20%	100%
% Change from Projections	-2.44%	4.09%	34.97%	23.08%	-1.31%
Difference in Ratios	-1.02%	0.54%	0.53%	0.04%	

*Excludes port-outs and SSHP voucher holders.

Total population by age group (minors, adults and elderly)

Low-Income Public Housing Residents as of 9/30/2005

Development	Minors	Non-elderly Adults	Elderly Adults	Total Individuals	Elderly >70
Garden Communities	1,538	1,651	423	3,612	198
Townhouses	137	110	6	253	1
Scattered Sites	935	1,063	92	2,090	34
Partnership Units	115	87	5	207	4
High-Rises	4	1,978	1,128	3,110	584
Mixed Income	26	55	3	84	2
LIPH Total	2,755	4,944	1,657	9,356	823
Percent: Actual	29.45%	52.84%	17.71%	100%	
FY 2005 Plan Projection	2,548	4,824	1,625	8,997	892
Percent: Projected	28.32%	53.62%	18.06%	100%	
% Change from Projections	8.12%	2.49%	1.97%	3.99%	
Difference in Ratios	1.13%	-0.77%	-0.35%		

Section 8 Participants as of 9/30/2005

Program	Minors	Non-elderly Adults	Elderly Adults	Total Individuals	Elderly >70
HCV Tenant-based*	4,858	5,286	1,057	11,201	541
HCV Project-based	677	1,154	180	2,011	95
Section 8 Mod Rehab	101	636	157	894	50
Section 8 New Construction	0	73	27	100	14
Section 8 Total	5,636	7,149	1,421	14,206	700
Percent: Actual	39.67%	50.32%	10.00%	100%	
FY 2005 Plan Projection	5,933	7,631	1,501	15,065	
Percent: Projected	39.38%	50.65%	9.96%	100%	
% Change from Projections	5.01%	-6.32%	-5.33%	5.70%	
Difference in Ratios	0.29%	-0.33%	0.04%		

*Excludes port-outs and SSHP voucher holders.

SSHP Residents as of 9/30/2005

	Minors	Non-elderly Adults	Elderly Adults	Total Individuals	Elderly >70
SSHP Total	0	122	970	1,092	706
Percent: Actual	0.00%	11.17%	88.83%	100%	
FY 2005 Plan Projection	0	126	950	1,076	
Percent: Projected	0.00%	11.71%	88.29%	100%	
% Change from Projections	0.00%	-3.17%	2.11%	1.490%	
Difference in Ratios	0.00%	-0.54%	0.54%		

People with disabilities

Low-Income Public Housing Residents as of 9/30/2005

Development	Disabled Minor	Elderly Disabled	Non-Elderly Disabled	Total Disabled	Total Individuals
Garden Communities	8	232	246	486	3,612
Townhouses	1	3	12	16	253
Partnership Units	7	35	178	220	2,090
Scattered Sites	1	1	5	7	207
High-Rises	0	532	1,500	2,032	3,110
Mixed Income	2	0	12	14	84
LIPH Totals	19	803	1,953	2,775	9,356
Percent: Actual	0.20%	8.58%	20.87%	29.66%	
FY 2005 Projected Totals				2,772	8,997
Percent: Projected				30.81%	
% Change from Projections				0.11%	3.99%
Difference in Ratios				-1.15%	

Section 8 Participants as of 9/30/2005

Program	Disabled Minor	Elderly Disabled	Non-Elderly Disabled	Total Disabled	Total Individuals
HCV Tenant-based*	218	1,822	674	2,714	11,201
HCV Project-based	13	448	71	532	2,011
Section 8 New Construction	0	60	16	76	100
Section 8 Mod Rehab	3	321	112	436	894
Section 8 Total	234	2,615	873	3,758	14,206
Percent: Actual	1.65%	18.66%	6.15%	26.45%	
FY 2005 Projected Total				3,853	15,065
Percent: Projected				25.58%	
% Change from Projections				-2.47%	-5.70%
Difference in Ratios				0.88%	

*Excludes port outs and SSHP voucher holders.

SSHP Residents as of 9/30/2005

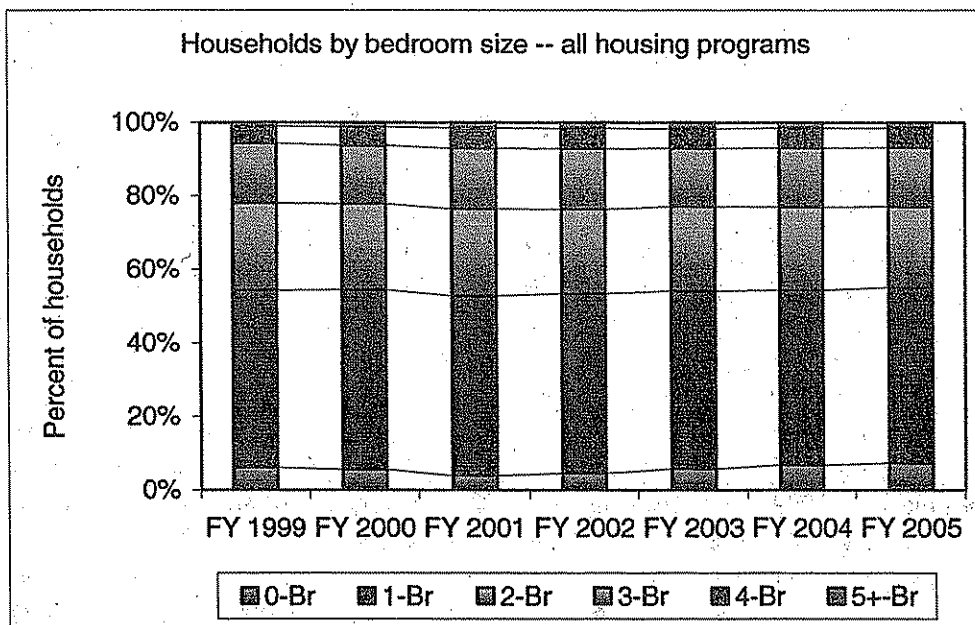
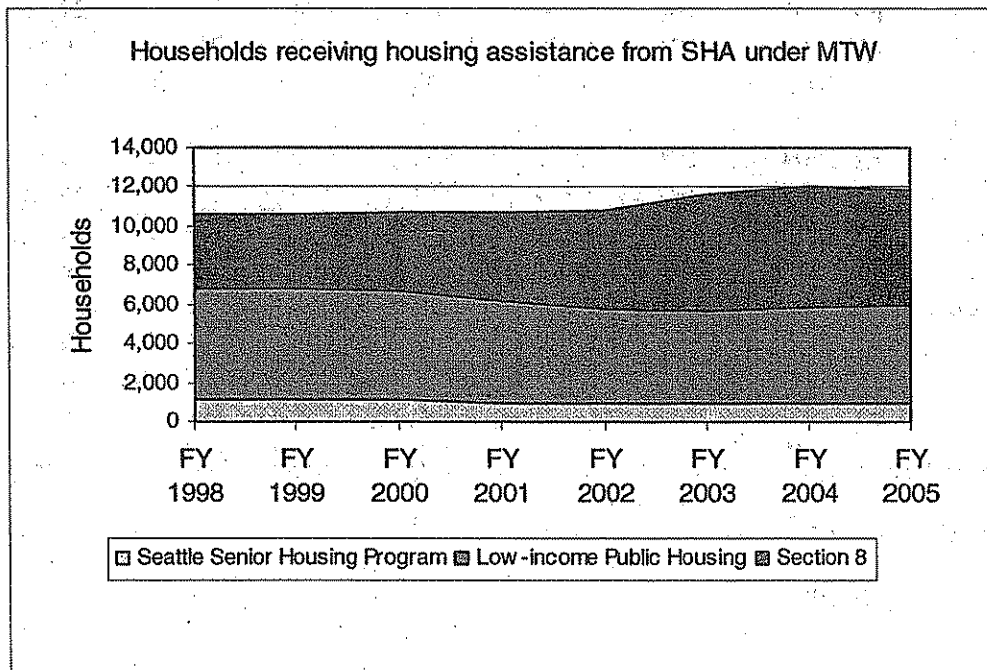
	Disabled Minor	Elderly Disabled	Non-Elderly Disabled	Total Disabled	Total Individuals
SSHP Totals	0	99	161	260	1,092
Percent: Actual	0.00%	9.07%	14.74%	23.81%	
FY 2005 Projected Totals				275	1,076
Percent: Projected				25.56%	
% Change from Projections				-6.14%	1.80%
Difference in Ratios				-2.16%	

Households served by unit size

Program	Year	0-Br	1-Br	2-Br	3-Br	4-Br	5+-Br	Total
Low-income Public Housing	FY 1999	257	3,158	1,470	935	231	36	6,087
	FY 2000	196	3,004	1,287	824	211	27	5,549
	FY 2001	171	3,000	1,095	772	213	30	5,281
	FY 2002	173	2,847	900	692	212	31	4,855
	FY 2003	184	2,896	850	623	181	32	4,766
	FY 2004	191	2,952	862	641	187	30	4,863
	FY 2005	192	3,009	864	713	190	35	5,003
Housing Choice Voucher Tenant- and Project-based Assistance	FY 1999	250	1,117	1,079	872	279	82	3,679
	FY 2000	247	1,195	1,132	877	328	106	3,885
	FY 2001	235	1,284	1,379	1,013	389	131	4,431
	FY 2002	300	1,489	1,507	1,103	395	145	4,939
	FY 2003	477	1,766	1,750	1,231	440	168	5,832
	FY 2004	617	1,772	1,766	1,289	461	159	6,064
	FY 2005	676	1,688	1,656	1,183	442	155	5,800
Section 8 New Construction	FY 1999	10	141	0	0	0	0	151
	FY 2000	16	148	0	0	0	0	164
	FY 2001	17	148	0	0	0	0	165
	FY 2002	18	152	0	0	0	0	170
	FY 2003*	10	133	0	0	0	0	143
	FY 2004	11	134	0	0	0	0	145
	FY 2005	0	95	0	0	0	0	95
Seattle Senior Housing Program	FY 1999	161	913	85	0	0	0	1,159
	FY 2000	138	881	89	0	0	0	1,108
	FY 2001	0	864	87	0	0	0	951
	FY 2002	0	840	85	0	0	0	925
	FY 2003	0	852	84	0	0	0	936
	FY 2004	0	866	89	0	0	0	955
	FY 2005	0	871	92	0	0	0	963
Total	FY 1999	678	5,329	2,634	1,807	510	118	11,076
	FY 2000	597	5,228	2,508	1,701	539	133	10,706
	FY 2001	423	5,296	2,561	1,785	602	161	10,828
	FY 2002	491	5,328	2,492	1,795	607	176	10,889
	FY 2003	671	5,647	2,684	1,854	621	200	11,677
	FY 2004	819	5,724	2,717	1,930	648	189	12,027
	FY 2005	868	5,663	2,612	1,896	632	190	11,861
Distribution of unit sizes	FY 1999	6.12%	48.11%	23.78%	16.31%	4.60%	1.07%	100%
	FY 2000	5.58%	48.83%	23.43%	15.89%	5.03%	1.24%	100%
	FY 2001	3.91%	48.91%	23.65%	16.49%	5.56%	1.49%	100%
	FY 2002	4.51%	48.93%	22.89%	16.48%	5.57%	1.62%	100%
	FY 2003	5.75%	48.36%	22.99%	15.88%	5.32%	1.71%	100%
	FY 2004	6.81%	47.59%	22.59%	16.05%	5.39%	1.57%	100%
	FY 2005	7.32%	47.74%	22.02%	15.99%	5.33%	1.60%	100%

Notes: The Morrison is excluded from SSHP after FY 2001. Housing Choice Vouchers excludes Mod Rehab units, port outs and SSHP voucher holders. After FY 2002 Section 8 New Construction excludes Argonaut and Admiral House. Market House was sold in FY 2005 and is no longer included.

Households assisted during MTW



Applicant demographics

Race of head of household by bedroom size ¹

Low-Income Public Housing Applicants as of 9/30/2005

Unit Size	White	African/ African American	Native American	Asian & Pacific Islander	Total
0/1 bedroom	1,664	1,291	116	707	3,778
2 bedroom	1,017	1,343	114	493	2,967
3 bedroom	384	605	47	301	1,337
4 bedroom	41	103	9	36	189
5 bedroom	5	41	1	5	52
LIPH Total	3,111	3,383	287	1,542	8,323
Percent: Actual	37.38%	40.65%	3.45%	18.53%	100%
FY 2005 Plan Projection	1,927	1,971	164	970	5,032
Percent: Projected	38.29%	39.17%	3.26%	19.28%	100%
% Change from Projections	61.44%	71.64%	75.00%	58.97%	65.40%
Difference in Ratios	-0.92%	1.48%	-0.19%	-0.75%	

Note: applicants to HOPE VI communities are not included in this analysis.

Section 8 Applicants as of 9/30/2005

Unit Size	White	African/ African American	Native American	Asian & Pacific Islander	Total
0/1 bedroom	913	605	65	272	1,855
2 bedroom	266	514	30	169	979
3 bedroom	126	252	12	139	529
4 bedroom	17	45	3	27	92
5 bedroom	2	18	0	1	21
Section 8 Total	1,324	1,434	110	608	3,476
Percent: Actual	38.09%	41.25%	3.16%	17.49%	100%
FY 2005 Plan Projection	1,758	1,813	146	852	4,569
Percent: Projected	38.48%	39.68%	3.20%	18.65%	100%
% Change from Projections	-24.69%	-20.90%	-24.66%	-28.64%	-23.92%
Difference in Ratios	-0.39%	1.57%	-0.03%	-1.16%	

¹ Hispanic households are included in their claimed race, e.g. White, African/African American, etc.

Section 8 New Construction Applicants as of 9/30/2005

Unit Size	White	African/ American	Native American	Asian & Pacific Islander	Total
0/1 bedroom	76	68	5	10	159
2 bedroom	0	0	0	0	0
Section 8 New Construction Total	76	68	5	10	159
Percent: Actual	47.80%	42.77%	3.14%	6.29%	100%
FY 2005 Plan Projection	201	181	16	31	429
Percent: Projected	46.85%	42.19%	3.73%	7.23%	100%
% Change from Projections	-62.19%	-62.43%	-68.75%	-67.74%	-62.94%
Difference in Ratios	0.95%	0.58%	0.58%	0.94%	

SSHP Applicants as of 9/30/2005

Unit Size	White	African/ American	Native American	Asian & Pacific Islander	Total
0/1 bedroom	246	47	8	52	353
2 bedroom	16	3	0	7	26
SSHP Total	262	50	8	59	379
Percent: Actual	69.13%	13.19%	2.11%	15.57%	100%
FY 2005 Plan Projection	353	97	20	149	619
Percent: Projected	57.03%	15.67%	3.23%	24.07%	100%
% Change from Projections	-25.78%	-48.45%	-60.00%	-60.40%	-38.77%
Difference in Ratios	12.10%	-2.48%	-1.12%	-8.50%	

Income distribution as a percent of median income

Applicant Household Annual Incomes as of 9/30/2005

Program	Below 30% Median Income	30% - 50% Median Income	50% - 80% Median Income	Over 80% Median Income	Total
Low Income Public Housing	7,555	679	84	18	8,336
Section 8 Tenant-Based	3,041	376	51	8	3,476
Section 8 New Construction	152	6	1	0	159
Seattle Senior Housing Program	303	62	12	3	380
Unique Households*	9,975	952	122	25	11,074
Percent: Actual	90.08%	8.60%	1.10%	0.23%	100%
FY 2005 Projected Totals (Unique Households)	7,794	670	74	8	8,546
Percent: Projected	91.20%	7.84%	0.87%	0.09%	100%
% Change from Projections	27.98%	42.09%	64.86%	212.50%	29.58%
Difference in Ratios	-1.12%	0.76%	0.24%	0.13%	

*Since applicant households may appear on more than one wait list, the unique households row will not equal the total of the program rows.

APPENDIX C: AMENDED PUBLIC HOUSING RENT POLICY (RESOLUTION 4785)

RESOLUTION NO. 4785

RESOLUTION APPROVING AMENDMENTS TO THE MOVING TO NEW WAYS PUBLIC HOUSING RENT POLICY

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) selected the Seattle Housing Authority (SHA) to participate in the Moving to new Ways (MTW) demonstration program to design and test new ways of providing housing assistance to low-income households to foster resident self-sufficiency and reduce the costs of administering housing programs; and

WHEREAS, in 1998, SHA and HUD entered into an MTW agreement that authorizes SHA to adopt and implement reasonable policies for setting rents for public housing, notwithstanding the U.S. Housing Act of 1937, provided certain specified conditions are met; and

WHEREAS, in June 2000 under the terms of the MTW agreement, the SHA Board of Commissioners adopted Resolution 4557, a comprehensive public housing rent policy to support resident self-sufficiency containing incentives to encourage public housing residents who can work to do so, and disincentives for households to remain on Temporary Assistance to Needy Families; and

WHEREAS, in the Fiscal Year 2005 MTW Annual Plan, the Board of Commissioners directed staff to propose revisions to the rent policy to enhance its effectiveness; and

WHEREAS, through annual evaluations of the performance of this rent policy against the original goals and a random telephone survey of 222 resident households, SHA has identified which of the original incentives and disincentives are most effective in encouraging resident employment; and

WHEREAS, staff developed amendments to the rent policy based on these evaluation results to emphasize effective elements of the rent policy and eliminate ineffective ones; and

WHEREAS, a public hearing on proposed changes to the rent policy was held on May 19, 2005 with approximately 75 residents in attendance; and

WHEREAS, the existing elements of the policy addressing hardship cases are not being changed; and

WHEREAS, the Board of Commissioners finds that the conditions specified in the MTW agreement for adopting and implementing a reasonable rent policy have been met:

NOW, THEREFORE, BE IT RESOLVED, by the Housing Authority of the City of Seattle:

1. The Board of Commissioners adopts amendments to the public housing rent policy found in Attachment A. Existing provisions of the Policy and Procedures Manual that are not affected by the amendments in Attachment A shall remain in effect.
2. The Board of Commissioners authorizes the Executive Director to develop procedures to implement the amended rent policy, including a reasonable transition period for residents who will experience an increase in rent as a result of the rent policy amendments.
3. The Board of Commissioners approves the analysis of impact of the amended rent policy found in Attachment B.

ADOPTED by a majority of all members of the Board of Commissioners and signed by me in open session in authentication of its passage this 20th day of June, 2005.

Chair

CERTIFIED BY:

Secretary-Treasurer

ATTACHMENT A TO RESOLUTION 4785

Scope

This policy shall apply to all residents receiving public housing assistance from SHA. Residents of SHA's mixed finance communities or public housing in mixed finance communities managed by non-profit partners will be subject to rent policies defined in those communities management plans and/or regulatory and operating agreements.

Existing provisions of the Policy and Procedures Manual that are not affected by the changes described below shall remain in force.

Rent Policy for Low-Income Public Housing

The MTW rent policy is intended to:

1. Help those with good prospects for economic self-sufficiency prepare for the conventional housing market.
2. Preserve an economic safety net.
3. Generate sufficient revenues for SHA to supplement federal subsidies.
4. Create revenue for self-sufficiency support services and budget skills training.
5. Reduce unnecessary administrative procedures.
6. Remove incentives for manipulation and fraud.
7. Be equitable, so that staff and service providers can support it and educate and motivate residents toward self-sufficiency.

Generally, public housing households shall pay 30 percent of adjusted income for rent and utilities at all times. A utility allowance shall be applied for tenant-paid utilities, as applicable to each housing unit.¹ The household shall pay SHA 30 percent of adjusted income less the utility allowance, called "net rent." Exceptions to the 30 percent of adjusted income calculation of rent:

- All households will pay at least a minimum rent established by SHA and adjusted annually for inflation by the Social Security Cost of Living Adjustment. The minimum rent shall not be less than \$50 per month.²
- The hardship exemption found in Policy and Procedures Manual Chapter L11.1-1 shall remain in effect.
- Households for whom the calculated net rent is greater than the SHA-established market rent for their units shall pay the market rent for 24 months. Thereafter, they shall be charged the full net rent.

¹ This resolution does not amend policies related to the calculation or application of utility allowances; all existing policies remain in effect.

² This does not represent a change in the policy, but rather declares SHA's intention to implement the annual increase for inflation on an ongoing basis.

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- If a household fails to comply with the annual recertification, SHA may remove the household's housing assistance until such time as the annual recertification is complete. The household will be required to pay the full market rent for the unit effective the first day of the month following removal of housing assistance. Housing assistance will be reinstated when the household completes the annual recertification, effective the first day of the month following completion of the certification. The household will be responsible for the full market rent for the period in which the market rent is in effect.
 - Households claiming zero income may be subject to a rent calculated on imputed income from TANF or Employment Security benefits until such time as the household can document that it is not eligible for such benefits.
 - SHA may provide rent incentives below 30 percent of adjusted income for studio units, or a reasonable premium charge above 30 percent of adjusted income for one-bedroom units in public housing high-rises with a mix of unit sizes to create an incentive for leasing less desirable units.

Several elements of the Moving To new Ways rent policy adopted in Resolution 4557 in June, 2000 shall be rescinded. Specifically:

- Households whose only income is from Temporary Assistance to Needy Families shall be charged 30 percent of their adjusted income for rent, rather than 25 percent of gross income. These households shall also receive a utility allowance.
- The 24-month Rent Ceilings of \$260 and \$390 for households with employment income shall no longer be available. Households currently paying one of these rent ceilings shall be given six months notice of this change.

Interim Recertifications

Public housing residents shall be required to report increases in household income of \$100 or more per month within 14 days from the effective date of the change, whether the increase is due to a change in household membership, gain of a new income source or change in amount of income from an existing source. Annual cost of living adjustments to fixed income sources such as Social Security, SSI, GAU or pensions shall be exempt from this reporting requirement.

Management shall initiate an interim recertification to recalculate the household's rent upon receiving a report of an increase in income. Generally, adjustments to the monthly rent will become effective the next full month from the date the change occurred. If the increase in rent is greater than 10 percent, a minimum of 60-days notice will be given pursuant to Seattle Landlord-Tenant Law.

If the reported change in income is due to a household member becoming employed after being without employment in the most recent six consecutive months, and the income increase is reported within 14 days from the date of start of employment, a 90-day notice of rent increase will be given.

If a household fails to report increases in income within 14 days as required, adjustments to the rent may be made retroactive to the effective date of the income increase when the increase is identified at the next annual or interim recertification.

Only the reported change in income and household composition shall be verified at the interim recertification. Acceptable verification may include resident-provided or third party verification. Resident-provided verification is deemed sufficient for a reported increase in income at an interim recertification, based on the low risk of false reporting when reporting at all will likely result in a rent increase, as well as the thorough third party verification that will occur at the next annual recertification with the possible retroactive charges for under-paid rent. Third party verification remains the preferred method when a household is reporting a decrease in income.

Determining Income

SHA may request a household's tax return for purposes of determining income and may request a credit report on the household at any time.

Low Income Public Housing Tenant Trust Account

Eligibility

Public housing households with income from employment exceeding \$15,000 per year will be eligible for a Tenant Trust Account, provided that the household meets existing eligibility criteria found in Policy and Procedures Manual Chapter L11.5-1, and 30 percent of the household's adjusted monthly income is less than the SHA-established Market Rent for the unit.

To establish a Tenant Trust Account, an eligible household must enroll by informing SHA of its interest.

Monthly Deposits

SHA will deposit into a Tenant Trust Account 30 percent of the rent paid by an enrolled household over a threshold amount that represents the average operating cost per public housing unit plus \$50. This threshold amount will be reviewed and adjusted annually. The minimum deposit will be \$15 and the maximum will be \$170. For eligible households whose rent is less than the threshold amount, the deposit will be \$10 per month. The household must meet all the eligibility criteria each month that a deposit is made.

The lifetime limit on Tenant Trust Account contributions will be \$10,000. Monthly deposits will cease when the lifetime limit has been reached.

Purpose and Use

While the household is living in public housing, the Tenant Trust Account may be used to enhance the household's self-sufficiency efforts to pay for an adult household member's expenses for career-related education to include tuition, equipment, class fees or books; or business start up expenses, based on a business plan reviewed and approved by a knowledgeable service provider or mentor.

The Tenant Trust Account may also be used for costs related to purchase of a home such as a down payment or closing costs.

A lifetime maximum of \$1,000 may be used by the household as an emergency fund.

When the household leaves public housing, in general, the TTA balance will revert to SHA unless it is used for home ownership. However, if the household leaves in good standing and has not used all or part of the \$1,000 available for emergencies, the balance of those funds may be used for documented moving expenses.

If a Tenant Trust Account is dormant for 24 months, meaning that no withdrawals or deposits are made, the balance reverts to SHA.

ATTACHMENT B TO RESOLUTION 4785: IMPACT ANALYSIS

SHA's Moving To new Ways Agreement with HUD requires the Board of Commissioners to approve an analysis of the impact of the policy on current and applicant households, including an analysis of the severity of rent burden. This analysis looks at the impacts of the amendments to the rent policy in Resolution 4785, based on households in public housing as of mid-February, 2005.

Elimination of TANF rent

About 160 households currently pay 25 percent of their gross income for rent because their sole source of income is Temporary Assistance to Needy Families (TANF). Under the amended policy these households will pay 30 percent of their adjusted income for rent. About 75 percent of these residents will experience a decrease in rent of 40-50 percent. Most will pay the minimum rent, which may still be more than 30 percent of their adjusted income, but their rent burden will be substantially reduced. None of these households should experience a rent increase, unless their sources and amount of income have changed.

Elimination of Rent Ceilings of \$260 and \$390

About 400 households with income from employment currently pay either \$260 or \$390 in rent as a rent incentive for employment. The policy amendments will eliminate these two rent ceilings. These households will pay 30 percent of their adjusted income for rent, which will be higher than the rent they currently pay. The table below shows the distribution of households by the rent increase to which they will be subject.

Percent of Households	Percent increase in rent for households on \$260 or \$390 rent ceiling
16%	<10%
35%	10-50%
28%	50-100%
21%	> 100%

A few of these households may be eligible to pay the two-year market rent for their unit, reducing the impact of the rent increase.

To provide a reasonable transition period for those who will have a large rent increase, SHA will give six months notice to all the households in this group. Residents will also be able to come in for an interim recertification if they believe the rent increase is incorrect. Their current income will be evaluated and the rent set accordingly at 30 percent of adjusted income.

Expanding Tenant Trust Account Eligibility

Under the amended rent policy, the Tenant Trust Account is the primary incentive to encourage people to work. The revised Tenant Trust Account program doubles the number of eligible households to about 600-650.

Increasing Rent between Annual Reviews when Income Increases

Residents will be required to report income increases as they occur, and rent will be changed accordingly. This will not create a rent burden, as rent will be 30 percent of adjusted income. Residents who would experience a rent increase of 10 percent or more will be given 60 days notice, as required by local landlord tenant law. Residents whose increased income comes from new employment will be given 90 days notice, to provide them a period of extra income in their pockets to adjust to the expenses of working. This element of the amended policy will remove the incentive for residents to reduce their working hours or quit a job around the time of the annual review, effectively requiring that residents pay 30 percent of adjusted income at all times.

Imputed Income from TANF or Unemployment

Income from TANF or unemployment benefits will be imputed for households who report zero income and appear to be eligible for these benefits but have not applied. If the household can demonstrate that they are not eligible for the benefits, then the imputed income will be cancelled. This may create a rent burden for a short period of time while the household is in the application process. However, it is intended to encourage households to change their zero income status. This element of the policy is expected to impact very few households at any given time, as most zero income households are sufficiently motivated to change that situation on their own.

Annual Review Compliance

The provision of the amended policies that would allow SHA to charge market rent for households who fail to complete their annual review in a timely fashion may create a rent burden for a few households for a short period of time. Staff expect that most households will comply with the annual review requirements rather than facing the financial burden of market rent for even one month. This should be a more efficient and effective way of encouraging compliance than the current practice of issuing eviction notices for non-compliance.

Effect of the policy amendments on applicant households

Applicant households will pay 30 percent of adjusted income for rent upon leasing in public housing. The only exceptions to this will likely be:

- Applicants who would pay the minimum rent may experience some rent burden. The policy amendments in Resolution 4785 do not change this situation, however. About 250-300 households at any given time are paying the minimum rent in public housing. This may increase to about 400 with the elimination of the special rent formula for TANF households.
- If SHA chooses to distinguish rent amounts for studios and one-bedrooms in public housing highrises where leasing studios is difficult, an applicant may choose to pay more than 30 percent of adjusted income to lease a one-bedroom unit, but pay 30 percent or less for a studio unit. These rent concessions would only apply to new tenants; existing residents would not be affected.

APPENDIX D: AMENDED HOUSING CHOICE VOUCHER RENT AND OCCUPANCY POLICIES (RESOLUTION 4784)

Resolution No. 4784

A RESOLUTION APPROVING POLICY CHANGES FOR SHA'S HOUSING CHOICE VOUCHER PROGRAM

WHEREAS, The Seattle Housing Authority (SHA) has adopted as part of its strategic plan for 2005-2010 the goal of fully utilizing available Housing Choice Vouchers, by reducing the average per voucher cost to the level of funding received from HUD per voucher, in order to subsidize as many households as possible and honor all project-based commitments; and

WHEREAS, SHA currently is able to support only 90% of its Move to Work vouchers at current average costs and funding levels; and

WHEREAS, SHA has over 2,700 extremely low income households on its Section 8 waiting list, who have recently reconfirmed their interest in receiving a voucher from SHA; and

WHEREAS, SHA has identified a variety of strategies to reduce program costs, including lowering payment standards, increasing occupancy standards, conducting interim re-certifications to increase rent when family income goes up, and including more sources of income in the calculation of rent; and

WHEREAS, SHA has conducted an extensive community process over several months to solicit input on proposed cost reduction strategies, and has modified its proposals to respond to community concerns as much as possible and still accomplish its goal of maximizing available Housing Choice Vouchers to serve as many families as possible;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the Housing Authority of the City of Seattle, as follows:

1. SHA shall adopt the following payment standards for the Housing Choice Voucher Program:

Studio	One-bedroom	Two-bedroom	Three-bedroom	Four-bedroom	Five-bedroom	Six-bedroom
\$642	\$762	\$917	\$1293	\$1550	\$1697	\$1952

2. SHA shall adopt the policies described in Attachment A to this Resolution, modifying the SHA Housing Choice Voucher Administrative Plan.

ADOPTED AND APPROVED by a majority of all members of the Board of Commissioners and signed by me in open session in authentication of its passage this 20th day of June, 2005.

By: _____

Chair

Certified by: _____

Secretary Treasurer

Attachment A

**REVISIONS TO
SEATTLE HOUSING AUTHORITY HOUSING CHOICE VOUCHER
ADMINISTRATIVE PLAN
JUNE 20, 2005**

I. Revisions to Chapter 7: SUBSIDY STANDARDS: Bedroom Size of Voucher, Additions to household [24 CFR 982.54(d) (9)]

HUD guidelines require that housing authorities establish subsidy standards for the determination of family unit size, and that such standards provide for a minimum commitment of subsidy while avoiding overcrowding.

This Chapter explains the subsidy standards that will be used to determine the voucher size (number of bedrooms subsidized) for various size families when they are issued an SHA voucher, as well as SHA's procedures when a family's size changes, or a family selects a unit size that is different from the voucher.

A. Determining Voucher Size [24 CFR 982.402]

SHA's subsidy standards for determining voucher size shall be applied in a manner consistent with Fair Housing requirements and guidelines.

For subsidy standards, an adult is a person 18 years old or older.

All standards in this section relate to the number of bedrooms on the voucher (level of subsidy), not the family's actual living arrangements.

The unit size on the voucher is determined by the family composition, regardless of the unit size rented.

SHA assigns 1 bedroom to 2 people within the following guidelines, and further imposes minimum occupancy standards outlined below.

1. Persons of different generations, persons of the opposite sex (other than spouses or co-heads), and unrelated adults (except for same-sex domestic partners) may have a separate bedroom, within the limitations of the minimum occupancy standards outlined below.
2. Foster children will be considered in determining unit size upon third-party verification of placement in the family. Families with foster children are subject to the same minimum occupancy standards as families without foster children. A family may not be able to accept a foster care placement if the foster agency requires the child to have its own bedroom and as a result the family would exceed the minimum occupancy standards described below.
3. Live-in aides will be provided a separate bedroom, if the presence of an overnight live-in aide is medically necessary. No additional bedrooms are provided for the attendant's family. A maximum of one bedroom per family will be allocated for live-in aides, even if the family has more than one aide;
4. A single pregnant woman with no other family members shall be treated as a two-person

family (eligible for a one-bedroom unit);

5. Single person families shall be allocated a studio voucher.
6. Full-time students who live away from home more than half the year are not included in household size for the purpose of determining subsidy levels.

OCCUPANCY STANDARDS

<u>Voucher Size</u>	<u>Persons in Household</u>	
	Minimum Number	Maximum Number
0 Bedroom	1	2
1 Bedroom	2	4
2 Bedrooms	3	6
3 Bedrooms	4	8
4 Bedrooms	6	10
5 Bedrooms	8	12
6 Bedrooms	10	14

B. Exceptions to Voucher Size Standards [24 CFR 982.403(a) & (b)]

Accommodation for a Person with Disabilities

SHA will grant an exception to voucher size standards as an accommodation for persons with disabilities, if subsidy for an additional bedroom is shown to be needed. Such requests shall be made in writing. Both the disability and the reasons for the additional bedroom related to the disability must be verified by a doctor or other medical professional or a licensed social service professional.

SHA Error

If SHA errs in the bedroom size designation, the family will be issued a voucher of the appropriate size at the next annual review.

Other exceptions

SHA may grant exceptions from the subsidy standards only if the family makes a written request for a larger voucher size that provides compelling reasons to prove that an exception is necessary. The need for an exception shall be supported by documentation from relevant qualified professionals (e.g., licensed medical or social service professionals, court or law enforcement officials). Before granting subsidy for additional bedrooms, SHA must find that an exception is necessary based upon the information provided by the family.

Additions to Household: subsidy increases only when maximum occupancy standards exceeded

The subsidy size for which a family qualifies at the time of its admission to SHA's Housing Choice Voucher program will not be increased until, and unless, its household size exceeds the maximum occupancy standards outlined above.

Additions to Household: Family must notify SHA (SHA approval not required; no subsidy change)

The family must inform SHA regarding new family member(s) within 10 days of the addition of the new member, for increases due to birth, adoption, or court-awarded custody. SHA does not need to approve such additions, but the subsidy will not increase unless the household size violates the maximum occupancy standards outlined above.

Other Additions to Household (no increase in subsidy)

SHA's approval is not required for additions to the household that result from marriage or domestic partnership, provided the landlord approves the addition, any prospective adult addition has an acceptable background check, and the verified income of the modified household, including the additional person, is such that the household continues to qualify for a voucher. The new adult added to the household must meet criminal history standards.

All other household additions require SHA's approval. Related adults may be added to a household only as a disability accommodation for the head of household or the head of household's dependent(s). SHA may consider the addition of related adults when the household can demonstrate that it is necessary and reasonable for them to provide medical/life activities care for the related adult(s). Example: A head of household demonstrates that her disabled, elderly mother needs to come and live with her, for reasons related to her disability.

If an adult who was previously on the household's lease leaves the household but wishes to return within two years of leaving, SHA will reinstate the adult to the household subject to an acceptable background check.

In all cases, the landlord must approve the addition, the prospective adult addition must have an acceptable background check, and the verified income of the modified household, including the additional person, must be such that the household continues to qualify for a voucher.

Under-housed and Over-housed Families

Families are required to notify SHA of all increases or decreases in household size within 10 days of the date of the increase or decrease.

If a unit does not meet Housing Quality Standards (HQS) standards cited below due to an increase in family size (making the unit too small), SHA will issue a new voucher of the appropriate size.

If a family becomes over-housed as the result of a decrease in household size, such that it no longer meets the minimum occupancy standards outlined above, SHA will reduce its subsidy to the appropriate voucher size at the family's next annual review following the reduction in household size.

SHA may make an exception as an accommodation for a person with a disability or for a family that has a member with a disability.

[New Sections D and E]

D. Implementing New Minimum Occupancy Standards, August 2005

In June 2005 SHA adopted the minimum occupancy standards outlined in Section A above. The new occupancy standards are effective as of July 1, 2005 for all new admissions to the program and all new port-ins.

The new occupancy standards shall apply to all families continuing on the program who submit requests to Move With Continued Assistance after August 1, 2005.

Families continuing on the program in their existing unit may maintain their current subsidy levels. The minimum occupancy standards will apply to them if they move to a new unit.

IV. Revisions to Chapter 5, SHA HOUSING CHOICE VOUCHERS PROJECT-BASED PROGRAM

Impact of lowered payment standards in tenant-based program on contract rent for project-based units

Owners of operating properties with project-based assistance shall continue to have the most recent payment standard in effect for their contract units before SHA lowers the payment standards in the tenant-based program.

M. Minimum Occupancy Requirements for Project-Based Properties

SHA shall make payments to owners based on assumed minimum occupancy for project-based units outlined below. These minimum occupancy standards are specific to the SHA Project-Based Program and do not apply to SHA's tenant-based program. If occupancy of a project-based unit drops below the minimum occupancy standard (e.g., drops to a one-person family in a two-bedroom unit) for longer than 90 days, SHA may reduce the Housing Assistance Payment for the unit to the amount appropriate for the size of the assisted family occupying the unit. The owner may require the family to pay the difference if the minimum occupancy requirement is spelled out in the family's lease.

Voucher Size	Persons in Household	
	<u>Minimum Number</u>	<u>Maximum Number</u>
0 Bedroom	1	2
1 Bedroom	1	4
2 Bedroom	2	6
3 Bedroom	3	8
4 Bedroom	4	10
5 Bedroom	6	12
6 Bedroom	8	14

III. Revisions to Chapter 8, TOTAL TENANT PAYMENT AND FAMILY SHARE

[New Section]

Q. Temporary Assistance to Needy Families (TANF) [SHA Move to Work Contract dated 1/1/1999]

Families whose reported income is below the applicable Temporary Assistance for Needy Families (TANF) grant but who appear to be eligible for Temporary TANF are expected to apply for TANF assistance.

SHA shall notify a family whose income is below the TANF grant and who appears to be eligible for TANF but does not receive TANF benefits that they have 30 days to apply for TANF and provide documentation to SHA of eligibility or ineligibility for TANF benefits.

If the family provides documentation of ineligibility, SHA will not use any TANF grant in the calculation of rent, regardless of the reasons for ineligibility (whether due to sanctions or otherwise).

If a family provides documentation of eligibility, SHA shall use the TANF grant for which the family qualifies in the calculation of rent, whether the family chooses to participate in the TANF program or not.

If, at the end of the initial 30 day period, the family provides documentation that the eligibility for TANF is still under consideration by DSHS but no determination has been made due to reasons beyond the family's control, the family may have an additional 30 days to provide documentation of eligibility or ineligibility.

If at the end of the 2nd 30 day period the family still has not provided documentation of eligibility for TANF benefits, SHA shall use the grant amount for which the family is eligible in the calculation of rent, until such time as the family provides documentation of ineligibility for TANF benefits.

[Eliminates old Section Q, which describes policies for imputing income from TANF even if the Welfare Department has sanctioned TANF participants for non-compliance]

IV. Revisions to Chapter 12, HOUSING QUALITY STANDARDS

[New language in Section D]

Fines for missed inspections

SHA may charge a reasonable fine to a family who is not present at an annual inspection scheduled in accordance with this Plan.

SHA may charge up to the actual cost of an inspection to an owner who is not present for a properly scheduled initial inspection.

SHA may also charge the full cost of inspection to an owner whose unit is in abatement (described below) but who has requested an inspection in order to continue on the program.

V. Revisions to Chapter 14, RECERTIFICATIONS

Interim Re-Examination Policy

Effective October 1, 2005, for all income received after October 1, 2005, SHA shall conduct interim re-examinations to increase rent when families report an increase in income in the following cases:

1. Interim household additions;
2. An increase in income that is greater than \$100 per month; and
3. Written request for an increase from the family (example: FSS family who receives interim increase in family income wishes to increase their rent so that their FSS escrow will increase).

APPENDIX E: CONSOLIDATED FINANCIAL STATEMENTS

Following are the Seattle Housing Authority's Consolidated Financial Statements for FY 2005. Please note that these figures represent unaudited fiscal year end financial data. The audited Financial Statements will be available in February, 2006.

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Net Assets

September 30, 2005

Assets and Other Debits	Primary Government Total	Component Units
Current assets:		
Equity in pooled cash and cash equivalents	\$ 1,259,813	6,468,677
Restricted cash	2,670,364	8,988,911
Investments	21,793,172	—
Accounts receivable:		
Tenant rentals and service charges	383,741	77,996
Other	5,733,779	254,576
Due from:		
Other funds	8,119,077	—
Other governments	2,102,592	—
Affiliates	5,480,386	—
Inventory and prepaid items	558,265	77,711
Restricted investments	3,535,527	36,894,055
Net investment in direct financing	466,494	—
Deferred charges	2,406,818	770,768
Other	2,801,535	—
Total current assets	57,311,563	53,532,694
Noncurrent assets:		
Equity in pooled investments	743,719	—
Restricted investments	22,097,594	—
Due from other funds	8,797,405	—
Other	845	—
Property and equipment:		
Land	63,725,794	173,265
Structures	330,518,651	90,886,670
Equipment	15,056,981	43,576,600
Construction in progress	76,808,461	1,843,590
Less accumulated depreciation	(172,258,066)	(9,439,572)
Capital assets, net	313,851,821	127,040,553
Notes receivable	14,023,792	—
Notes receivable from component unit	64,879,207	—
Total noncurrent assets	424,394,383	127,040,553
Total assets and other debits	\$ 481,705,946	180,573,247

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Net Assets

September 30, 2005

Liabilities and Net Assets	Primary Government Total	Component Units
Current liabilities:		
Accounts payable:		
Vendors and contractors	\$ 9,734,406	2,908,961
Other	4,334,573	7,642,725
Accrued liabilities	4,179,732	2,710,206
Due to other funds	8,119,077	—
Short-term borrowings	17,071,307	—
Current portion of long-term debt	1,508,642	120,000
Deferred revenue	2,136,321	—
Total current liabilities	47,084,058	13,381,892
Noncurrent liabilities:		
Due to other funds	8,797,405	—
Security deposits	1,451,105	135,137
Long-term debt, less current portion:		
Notes payable	33,750,624	66,711,011
Bonds payable	59,262,726	84,435,000
Accrued compensated absences	1,124,051	—
Total noncurrent liabilities	104,385,911	151,281,148
Total liabilities	151,469,969	164,663,040
Net assets:		
Investment in capital assets, net of related debt	240,177,523	31,445,469
Restricted for debt service	27,573,572	45,666,459
Unrestricted	62,484,882	(61,201,721)
Total net assets	330,235,977	15,910,207
Total liabilities and net assets	\$ 481,705,946	180,573,247

HOUSING AUTHORITY OF THE CITY OF SEATTLE
Statements of Revenues, Expenses and Changes in Fund Net Assets
Year ended September 30, 2005

	Primary Government Total	Component Units
Operating revenues:		
Tenant rentals and sales	\$ 20,607,113	2,677,996
Housing assistance payment subsidies	80,903,871	—
Other	16,200,992	226,781
Total operating revenues	<u>117,711,976</u>	<u>2,904,777</u>
Operating expenses:		
Administration	29,152,797	1,177,794
Tenant services	2,436,512	—
Utility services	4,922,362	141,452
Maintenance	17,281,723	677,265
Housing assistance payments	68,212,519	—
Other	2,512,428	8,270
Depreciation and amortization	11,656,022	2,176,321
Total operating expense	<u>136,174,363</u>	<u>4,181,102</u>
Operating income (loss)	(18,462,387)	(1,276,325)
Nonoperating income (expense):		
Intergovernmental	16,759,376	—
Interest expense	(5,510,982)	(769,303)
Interest income	2,740,246	798,750
Change in fair value of investments	(268,311)	—
Disposition of assets	30,206,731	—
Total nonoperating revenue (expenses)	<u>43,927,060</u>	<u>29,447</u>
Net income (loss) before contributions	25,464,673	(1,246,878)
Contributions:		
Capital contributions	21,633,267	—
Partners' contribution	—	550,270
Total contributions	<u>21,633,267</u>	<u>550,270</u>
Change in net assets	<u>47,097,940</u>	<u>(696,608)</u>
Total net assets at beginning of year	283,138,037	16,606,815
Total net assets at end of year	<u>\$ 330,235,977</u>	<u>15,910,207</u>

HOUSING AUTHORITY OF THE CITY OF SEATTLE

Statements of Cash Flows
Year ended September 30, 2005

	Primary Government Total	Component Units
Cash flows from operating activities:		
Receipts from residents	\$ 20,776,409	2,398,414
Receipts from other sources	92,040,700	746,247
Advances from affiliates	1,051,273	29,431
Payments to vendors	(114,527,003)	5,049,984
Payments to employees	(16,160,023)	(608,768)
Net cash provided by (used in) operating activities	<u>(16,818,644)</u>	<u>7,615,308</u>
Cash flow from noncapital financing activities:		
Operating grants received	<u>16,904,454</u>	<u>—</u>
Net cash provided by noncapital financing activities	<u>16,904,454</u>	<u>—</u>
Cash flows from capital and related financing activities		
Capital and partner contributions	31,130,545	550,270
Acquisition and construction of capital assets	(63,690,273)	(65,340,161)
Proceeds from dispositions of property and equipment	70,245,105	—
Payments on notes receivable	(189,849)	—
Issuance of notes receivable	(14,408,423)	—
Proceeds from long-term borrowings	15,802,853	26,009,014
Mortgage costs paid	—	(116,770)
Payments on notes and bonds	(21,504,384)	(120,000)
Interest payments	(5,683,497)	116,548
Net cash provided by (used in) investing capital and related financing activities	<u>11,702,077</u>	<u>(38,901,099)</u>
Cash flows provided by (used in) investing activities:		
Interest received	1,732,455	798,750
Increase in net investment of direct financing	(540,000)	—
Maturity of investment securities	211,545,989	50,922,310
Purchases of investment securities	(225,479,866)	(10,870,427)
Net cash provided by (used in) investing activities	<u>(12,741,422)</u>	<u>40,850,633</u>
Increase (decrease) in cash and cash equivalents	(953,535)	9,564,842
Cash and cash equivalents at beginning of year	4,883,712	5,892,746
Cash and cash equivalents at end of year	\$ <u>3,930,177</u>	<u>15,457,588</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (18,462,387)	(1,276,325)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,656,022	2,176,321
Change in assets and liabilities:		
Accounts receivable	(6,299,708)	(261,136)
Inventory and prepaid items	100,362	19,704
Accounts payable	(3,775,272)	6,648,861
Accrued compensated absences	(370,410)	—
Other	332,749	307,883
Total adjustments	<u>1,643,743</u>	<u>8,891,633</u>
Net cash provided by (used in) operating activities	\$ <u>(16,818,644)</u>	<u>7,615,308</u>

APPENDIX F: CAPITAL ACTIVITIES

This appendix lists capital activities during FY 2004 and shows funds obligated or expended for projects during this period. Discussion of this information can be found in Section VI.

FY 2005 Public Housing Capital Work Items

Community	Work Items	Funds Expended
1-001 Yesler Terrace	Paint common areas and replace roofs on several buildings, upgrade playground, paint exterior trim	\$243,351
1-009 Jefferson Terrace	Replace flooring in elevators and community room, add ADA bath to community room. Replace unit flooring.	\$27,637
1-010 Center Park	Prototype unit comprehensive modernization, repair and recoat roof over non-dwelling space (patio), unit floor replacements.	\$125,907
1-011 Stewart Manor	Replace unit flooring. Building system repair.	\$40,019
1-012 Cal-Mor Circle	Replace unit flooring. Rehabilitate elevators.	\$123,362
1-013 Olive Ridge	Replace unit flooring. Rehabilitate elevators.	\$328,999
1-014 Center West	Building system repair.	\$5,930
1-015 Bell Tower	Rehabilitate elevators. Building system repair.	\$203,753
1-016 Harvard Court	Enlarge trash enclosure, replace unit flooring.	\$38,280
1-017 Denny Terrace	Replace unit flooring. Repair intercom, sewer line. Rehabilitate elevators.	\$230,294
1-020 Ballard House	Rehabilitate elevators.	\$171,962
1-022 Green Lake Plaza	Replace unit flooring. Rehabilitate elevators.	\$101,437
1-024 Jackson Park House and Village	Replace entry doors.	\$9,133
1-025 Lake City House	Replace unit flooring.	\$2,894
1-026 Cedarvale House and Village	Rehabilitate elevators.	\$122,207
1-027 Capitol Park	Replace unit flooring. Rehabilitate elevators. Roof repair.	\$193,888
1-028 Lictonwood	Replace unit flooring. Exterior repairs. Rehabilitate elevators. Roof repair.	\$333,289
1-029 Queen Anne Heights	Sidewalk repair.	\$6,456
1-030 Barton Place	Replace unit flooring. Building system repair.	\$27,321
1-031 Tri-Court	Exterior pressure wash and seal exterior walls. Rehabilitate elevators.	\$95,712
1-032 Olympic West	Replace unit flooring. Rehabilitate elevators.	\$153,838

FY 2005 Public Housing Capital Work Items

Community	Work Items	Funds Expended
1-033 Beacon Tower	Replace unit flooring.	\$2,782
1-034 University West	Building system repair.	\$6,810
1-035 University House	Rehabilitate elevators.	\$136,195
1-036 International Terrace	Rehabilitate elevators.	\$154,545
1-040 West Town View	Exterior repair and waterproofing (tuck-pointing). Sewer line repair.	\$232,274
1-041 Holly Court	Replace unit flooring.	\$2,523
1-046 Ross Manor	Replace unit flooring.	\$11,525
Scattered Sites	Replace unit flooring, replace or repair roofs at three properties; paint exteriors of 18 properties; repair exterior of 9 properties. Miscellaneous site and unit improvements.	\$763,957
PHA-Wide	Replace comprehensive modernization equipment.	\$7,934
PHA-Wide	Hazardous materials abatement.	\$602,315
PHA-Wide	Redevelop outdated housing, supporting redevelopment at HOPE VI sites.	\$6,356,873
PHA-Wide	Financing costs of capital projects and tenant improvements completed in prior years.	\$233,995
PHA-Wide	Architectural and Engineering costs.	\$179,809
PHA-Wide	Capital Program salaries, benefits, sundry administrative costs.	\$1,105,258
PHA-Wide	Capital Program associated overhead costs.	\$697,486
TOTAL		\$13,079,950

FY 2005 SSHP Capital Work Items

Community	Work Items	Funds Expended
1-301 Wildwood Glen	Replace unit floors.	\$4,982
1-302 South Park Manor	Replace unit floors and carpets, intercom system.	\$9,348
1-303 Columbia Place	Replace common area carpet, intercom system.	\$75,244
1-304 Pleasant Valley Plaza	Replace common area carpet.	\$41,762
1-305 Fremont Place	Replace unit carpet.	\$3,836
1-306 Willis House	Replace unit floor and carpet.	\$18,262
1-307 Blakely Manor	Replace carpet and windows.	\$65,630
1-308 Bitter Lake Manor	Replace sub-floor and vinyl in laundry room, install ADA front door, install air conditioner in community room.	\$16,462
1-309 Pinehurst Court	Replace fire alarm system wiring and common area carpet.	\$65,031
1-311 Island View	Replace unit windows with broken seals and common area and unit floors and carpet.	\$32,705
1-312 Reunion House	Replace unit windows with broken seals and common area and unit floors and carpet.	\$13,106
1-313 Primeau Place	Replace common area carpet, repair sidewalk.	\$61,152
1-314 Michaelson Manor	Replace front door, install air conditioner in community room, paint common area, replace unit carpets.	\$60,118
1-315 Fort Lawton Place	Replace common area smoke detector heads.	\$2,600
1-316 Schwabacher House	Replace common area carpet on two floors and vinyl floor in laundry room, repair exterior, install security cameras.	\$39,227
1-317 Phinney Terrace	Replace carpet and benches.	\$6,520
1-318 Olmstead Manor	Replace benches, carpet and vinyl floor in common area bathrooms, paint exterior.	\$97,544
1-319 Nelson Manor	Replace unit floor and carpet, common area smoke detector heads, benches, repair exterior.	\$24,676
1-320 Sunrise Manor	Replace floor in janitor areas and common area bathrooms.	\$2,736
1-321 Carroll Terrace	Replace unit floor and carpet.	\$6,759
1-323 Gideon-Mathews Gardens	Replace intercom and sub-floor and vinyl flooring in bathroom. Replace floor in laundry room.	\$11,818
1-326 Leschi House	Replace roof and carpet, install ADA front door, repair exterior and interior walls.	\$37,407
TOTAL		\$696,925

Other Facilities Capital Work Items

Community	Work Item	Funds Expended
127 Bayview Tower	Elevator rehabilitation.	\$264,793
211 Villa Park	Add an office in the community room.	\$6,148
212 Telemark	Carpet replacement.	\$18,050
216 Wedgewood Estates	Waterproofing exterior.	\$231,532
219 Longfellow Creek	Replace fence.	\$32,064
223 Norman St. Townhomes	Comprehensive modernization of 5-bedroom unit.	\$71,110
226 Lam Bow Apts.	Replace fence.	\$8,218
227 Westwood Heights East Apartments	Comprehensive modernization of nine units, window replacement, roof replacement.	\$249,342
229 Ravenna Springs	Roof and fence replacement.	\$18,217
TOTAL		\$899,474

APPENDIX G: VACANCY BY COMMUNITY

Comparison of FY 2004 and FY 2005 Vacancy Rates

Public Housing	Units	FY 2004 Vacancy Rates	FY 2005 Vacancy Rates
Ballard House*	79	0.65%	6.55%
Barton Place	90	1.72%	1.59%
Beacon Tower	108	1.45%	1.48%
Bell Tower	119	2.66%	2.95%
Cal-Mor Circle	74	4.50%	2.72%
Capitol Park	125	1.30%	2.81%
Cedarvale House	118	1.68%	1.81%
Cedarvale Village	24	3.93%	7.08%
Center Park	136	1.68%	2.16%
Center West	91	2.14%	1.27%
Denny Terrace	221	1.66%	1.22%
Green Lake Plaza	130	1.07%	0.68%
Harvard Court	80	1.41%	0.93%
High Point	278	2.68%	Redevelopment
Holly Court	97	1.72%	1.34%
International Terrace	100	1.28%	0.30%
Jackson Park House	71	2.51%	1.14%
Jackson Park Village	41	4.68%	2.27%
Jefferson Terrace	299	3.39%	2.02%
Lake City House	115	1.17%	1.06%
Lictonwood	80	0.87%	1.44%
Olive Ridge	106	1.85%	1.65%
Olympic West	75	2.77%	0.54%
Queen Anne Heights	52	0.91%	0.75%
Ross Manor	100	1.83%	1.64%
Scattered Sites**	789	7.51%	Reconfiguration
Stewart Manor	74	3.24%	2.86%
Tri-Court	87	Rehab & Initial Lease Up	1.91%
University House	101	0.50%	2.25%
University West	113	0.84%	0.46%
West Town View	58	0.33%	0.16%
Westwood Heights	130	6.63%	5.16%
Yesler Terrace	561	1.97%	1.47%
Vacancy Percentage		2.87%	1.83%

Notes: *The relatively high vacancy rate in Ballard House is due to the transition to senior only status.

**The vacancy percentage in scattered sites was 4.68%, reflecting the extra vacancy days needed to relocate households whose units were being sold.

NewHolly and Rainier Vista have been excluded from this table. Vacancy in both communities is now measured using the private sector practice of calculating vacancy loss. Rainier Vista and Othello Station (NewHolly phase III) were both in initial lease-up for much of the year.

Other properties SHA manages	Units	FY 2004 Vacancy Rate	FY 2005 Vacancy Rate
Admiral House	15	2.15%	2.48%
Argonaut	8	3.35%	0.00%
Bay View Tower	100	1.97%	0.97%
Market House*	51	5.08%	5.04%
SSHP 23 communities	993	1.81%	1.25%

* SHA sold Market House at the end of May, 2005.

APPENDIX H: AFFIRMATIVE FAIR MARKETING POLICY AND REPORT

HOUSING AUTHORITY OF THE CITY OF SEATTLE

MANUAL OF OPERATIONS

SUBJECT: Affirmative Fair Housing Marketing Policy

SCOPE:

This section applies to public housing programs on a building by building basis, with a threshold of 20 units or more, administered by the Seattle Housing Authority except those subject to partnership agreements, regulatory agreements and/or financial agreements that have been incorporated into a management plan approved by HUD and/or SHA. The policies set forth in those documents shall apply to those units and programs.

POLICY:

In compliance with the Seattle Housing Authority's Moving to Work Agreement and Applicant Choice Policy Resolution passed by the Board of Commissioners in June 2000, SHA shall implement affirmative marketing efforts to promote diversity in buildings that have become racially identifiable. The affirmative fair housing marketing policy is to promote diversity in racially identifiable buildings by marketing those buildings to underrepresented groups through appropriate community or other newspapers, positive outreach and informational efforts.

The Authority shall use the Fair Housing and Equal Opportunity (FHEO) guidelines to determine if the resident racial composition of buildings with site-based waiting lists is racially identifiable.

IMPLEMENTING POLICY:

- A. Racially Identifiable.** When the percentage of residents of a particular racial group in a building is 20% or more than the average percentage of that racial group in all buildings and the racial group in individual buildings is 50% more than the total of all minority groups, the property shall be designated "racially identifiable".

When a building is identified as "racially identifiable", SHA shall implement its Affirmative Fair Housing Marketing Plan.

- B. Direction of Marketing Activity.** All public housing properties serve households with low and extremely low incomes, as determined by HUD. These properties are located throughout Seattle, in areas with good public transportation and access to community amenities. Units are available for single people and families.

Affirmative Fair Marketing will direct its outreach to groups of applicants who may not be aware of or customarily seek housing in the area(s) where the racially identifiable building or buildings are located.

C. Actions:

1. Newspaper advertisement shall be placed in ethnic, special population and neighborhood newspapers that target populations under represented in the racially identifiable buildings.
2. SHA shall inform agencies and organizations that serve the desired target population(s) of housing opportunities in racially identifiable communities through notices in: SHA Web site, general electronic-newsletters such as PorchLight Insider, targeted e-mail messages to specific organizations, and flyers that would provide information about applying to SHA to live in those buildings.

D. Staff training. Fair Housing training shall be provided to Admission and leasing staff at least annually on Federal, State and local fair housing laws and this policy.

RESPONSIBILITY:

The Director of Housing Operations shall have responsibility for administration of this policy. The Admission Manager, Property Management Administrator over Admissions, and PorchLight Communication Specialist shall be responsible for implementation of the Affirmative Fair Housing Marketing policy and carrying out attendant procedures.

PROCEDURE:

1. On a quarterly basis (by the end of January, April, July and October), the Admission Manager shall obtain from SHA's computerized tenant databases the occupancy statistics on each building with a site-based waiting list to determine the racial composition of the building. (Race of head of household is collected from every resident household at time of leasing and stored in SHA's computerized databases.) The Admission Manager shall use this report to calculate the percentage of heads of households by minority racial group for each building with a site-specific wait list and the average population by minority racial group in all buildings with a site-specific wait list.
2. Based on the definition of racially identifiable as stated in this policy, the Admission Manager shall determine which properties fall within the category of "racially identifiable." To make this determination, the Admission Manager will conduct two tests: a) multiply the building-specific percentage for each minority racial group by 1.2. If the result is greater than the average for that racial group in all buildings, then the building exceeds the first threshold for racial identifiability; b) sum the average percentages for minority racial groups in all buildings and multiply this total by 1.5 (the threshold for 50% more than all minority groups); any building-specific racial group percentages that exceed this threshold indicate racial identifiability. To be considered "racially identifiable" a building must exceed both thresholds. Examples:

	African/African American	Native American	Asian/Asian American	Pacific Islander	Test result
Average for total population	22%	2%	13%	0.1%	
20% threshold	26.4%	2.4%	15.6%	0.12%	
Total minority population: 37.1%; 50% threshold for racial identifiability: 55.7%					
Building A	31%	0%	10%	0.0%	Meets first test only = not racially identifiable
Building B	15%	0%	62%	0%	Meets both tests = racially identifiable

3. For those properties designated racially identifiable, the PorchLight Communication Specialist shall take action, as provided in this policy, to market those properties. The Admission Manager will review the racial characteristics of applicants on the site-specific wait lists of racially identifiable buildings to identify under-represented racial groups to target in the marketing efforts.
4. The Senior Property Manager shall receive information on marketing activities that are initiated as a result of a property falling within the category of "racially identifiable." This shall be reported out through the Quarterly Portfolio Reviews.
5. Newspaper advertisements shall be placed as follows: One ad (minimum size 3" by 4") per building to run in a neighborhood weekly for 1 week per quarter.
6. The Director of Public Relations for the SHA Web site and Building Community E-newsletter and the PorchLight Communication Specialist for the PorchLight Insider E-newsletter shall be advised to market racially identifiable properties.
7. Flyers and other written material to promote the racially identifiable properties shall be produced and managed by the PorchLight Communication Specialist.
8. All documentation associated with the Affirmative Fair Housing marketing effort shall be kept by the PorchLight Communication Specialist, and archived for future reference and audit purposes.
9. The Admission Manager and Property Management Administrator shall coordinate staff trainings with the Office of General Counsel for all Admission and leasing staff on Federal, State and local fair housing laws and this policy. Training may be provided by in-house staff or outside vendors as appropriate. Trainings shall be mandatory with attendance documented. All documentation of staff trainings shall be kept by the Housing Operations Department Director or his or her designee.

Racial Identifiability Test
Seattle Housing Authority Low-Income Public Housing
July 29, 2005

	COMMUNITY	BLACK	NATIVE	ASIAN	ISLANDER	RACIALLY IDENTIFIABLE
	TOTAL	22.3%	2.2%	13.0%	0.1%	
	50% test threshold	$(22.3\% + 2.2\% + 13\% + 0.1) * 1.5 =$				56.3%
009	JEFFERSON TERRACE	30.6%	2.5%	14.9%	0.4%	
010	CENTER PARK	16.7%	5.0%	23.3%	0.0%	
011	STEWART MANOR	32.4%	0.0%	9.9%	0.0%	
012	CAL MOR CIRCLE	27.4%	4.1%	5.5%	0.0%	
013	OLIVE RIDGE	27.7%	2.0%	5.0%	1.0%	
014	CENTER WEST	17.8%	1.1%	0.0%	0.0%	
015	BELL TOWER	37.1%	1.7%	3.4%	0.0%	
016	HARVARD COURT	16.5%	1.3%	8.9%	0.0%	
017	DENNY TERRACE	32.9%	4.2%	5.2%	0.0%	
020	BALLARD HOUSE	11.1%	1.4%	1.4%	0.0%	
022	GREEN LAKE PLAZA	10.2%	2.4%	5.5%	0.0%	
023	WESTWOOD HEIGHTS	15.1%	5.6%	12.7%	0.0%	
024	JACKSON PARK HOUSE	23.2%	1.4%	7.2%	0.0%	
025	LAKE CITY HOUSE	19.1%	0.9%	7.0%	0.0%	
026	CEDARVALE HOUSE	17.5%	1.8%	2.6%	0.0%	
027	CAPITAL PARK	21.5%	0.8%	5.0%	0.0%	
028	LICTONWOOD	10.7%	2.7%	0.0%	0.0%	
029	QUEEN ANNE HEIGHTS	23.9%	2.2%	0.0%	0.0%	
030	BARTON PLACE	60.9%	1.1%	19.5%	0.0%	Yes - BLACK
031	TRI-COURT	17.4%	3.5%	5.8%	0.0%	
032	OLYMPIC WEST	14.7%	2.7%	2.7%	0.0%	
033	BEACON TOWER	15.0%	0.0%	62.6%	0.0%	Yes - ASIAN
034	UNIVERSITY WEST	16.1%	1.8%	5.4%	0.9%	
035	UNIVERSITY HOUSE	10.5%	2.1%	6.3%	0.0%	
036	INTERNATIONAL TERRACE	2.1%	0.0%	85.6%	0.0%	Yes - ASIAN
040	WEST TOWN VIEW	5.2%	0.0%	3.4%	0.0%	
041	HOLLY COURT	51.6%	1.1%	32.6%	0.0%	
046	ROSS MANOR	11.5%	2.1%	6.3%	0.0%	

**First Affirmative Fair Marketing quarterly report to HUD,
December 8, 2005**

Ms. Roseanne Chavez
PH Revitalization Specialist
Office of Public and Indian Housing
U.S. Department of Housing and Urban Development
Seattle Public Housing Hub
909 First Ave., Suite 360
Seattle, WA 98104-1000

Re: Affirmative Fair Housing Marketing Plan Implementation

Dear Ms. Chavez:

This letter is in response to a request for an update on the status of SHA's marketing plan and activities as stated in its Affirmative Fair Housing Marketing Policy. Please find listed below a brief description of each plan item and the actions performed or scheduled to-date relating to that item.

Overview:

Direction of marketing activity. All public housing properties serve households with low and extremely low incomes, as determined by HUD. The properties are located throughout Seattle, in areas with good public transportation and access to community amenities. Units are available for singles and family households.

Marketing will focus on outreach to groups of applicants who may not look for housing in neighborhoods outside of their usual preference due to community or ethnic ties.

In the implementation plan which we developed in October 2005, we indicated that we would take the following steps:

Marketing plan steps

1. Media advertising

Plan: Newspaper advertisement shall be placed in quarterly ethnic, special population and neighborhood newspapers that would target the populations under represented at the racially identifiable properties.

Actions:

- A. *Identification of appropriate media outlets:* The PorchLight Communications Specialist developed a list of potential media outlets to specifically target the desired audience(s) for each advertisement. These include neighborhood weeklies, as well as

special interest newspapers geared towards specific racial-ethnic groups. Please see list below.

<i>Beacon Hill News & South District Journal</i>	<i>Seattle Sun</i>
<i>Filipino-American Bulletin</i>	<i>Siete Dias</i>
<i>Korea Daily</i>	<i>South Seattle Star</i>
<i>Northwest Asian Weekly</i>	<i>The Facts (African American)</i>
<i>Queen Ann News</i>	<i>The Korea Times (Hankuk Ilbo)</i>
<i>Seattle Chinese Post</i>	<i>West Seattle Herald/White Center News</i>
<i>Seattle Medium (African American)</i>	

B. *Advertisement placement:* Seattle Housing Authority placed or will place one weekly 3" by 4" ad per racially-identifiable property in the appropriate publication for the target audience (*see attachment A*).

- *November 17, 2005:* Ad placed in Northwest Asian Weekly for Barton Place (racially identified Black)
- *December 7, 2005:* Ad placed in The Seattle Medium (African American publication) for Beacon Tower (racially identified Asian)
- *December 15, 2005:* Spanish-language ad to be placed in El Siete Dias (Hispanic news publications) for International Terrace (racially identified Asian)
- *March 2006:* Planned ads in appropriate publications for identified buildings
- *July 2006:* Planned ads in appropriate publications for identified buildings
- *November 2006:* Planned ads in appropriate publications for identified buildings

2. Inform social service agencies and community groups

Plan: SHA shall inform agencies and organizations that serve the desired target population(s) of housing opportunities in racially identifiable communities through notices in: SHA Web site, general electronic-newsletters such as PorchLight Insider, targeted e-mail messages to specific organizations, and fliers. Such notices will include information about applying for these housing resources.

Actions:

- A. *Identification of appropriate community groups:* The PorchLight Communications Specialist developed a list of potential social service agencies and community groups that serve the desired target audience(s). These and other agencies will be encouraged, via e-mail and mail, to inform their clients about the racially-identifiable properties.

Asian Counseling And Referral Service

Casa Latina

Chaya

Chief Seattle Club

Chinese Information And Service Center

Consejo Counseling And Referral Service

El Centro De La Raza

Ethiopian Community Mutual Association

Gondar Mutual Association Of Seattle

Horn Of Africa Services

International District Housing Alliance

Refugee Women's Alliance

Seattle Indian Center

Somali Community Services

United Khmer Community

Indochina Chinese Refugee Association

Refugee Federation Service Center

Ukrainian Community Center Of Washington

B. *Electronic communications:* Utilized on-going electronic newsletter for service providers, called *PorchLight Insider*, to direct referrals of desired populations to the identified buildings

- *October 28, 2005:* Feature article in *PorchLight Insider* publication, reaching over 500 service providers (*See attachment B*)
- *Mid-late December 2005:* Planned inclusion in *PorchLight Insider's* "Resources" Web page for service providers, a section of SHA's e-newsletter which is distributed to over 500 service providers bi-monthly.

C. *Fliers and print communications:* Distribute fliers marketing the specified properties to appropriate service agencies for use in referring clients to SHA's housing resources.

- *February 2005:* Development of marketing fliers to be distributed to select agencies, as listed in item 2A.

ATTACHMENT A

Affirmative Fair Housing Advertising

A.
Advertisement placed in Seattle Medium
12/6/2005

B.
Advertisement placed in Northwest Asian
Weekly 11/17/05

C.
Advertisement to be placed in El Siete
Dias 12/15/05 (*To be translated into
Spanish*)

A.



907 N.W. Ballard Way,
Suite 200
Tuesday to Friday
9:30 a.m. – 4:30 p.m.
206-239-1737
www.seattlehousing.org

PorchLight
Community services of
Seattle Housing Authority

Beacon Tower
1311 S. Massachusetts St.




Apartment with sweeping territorial views, conveniently located near shopping and major bus lines

- One-bedroom units
- Private kitchens and baths
- On-site laundry
- Community room

APPLY NOW! Apply in person at PorchLight or online at www.seattlehousing.org. Call 206-239-1737 with questions or to request an application by mail. All Low-Income Public Housing properties maintain waiting lists.


B.



907 N.W. Ballard Way,
Suite 200
Tuesday to Friday
9:30 a.m. – 4:30 p.m.
206-239-1737
www.seattlehousing.org

PorchLight
Community services of
Seattle Housing Authority

Barton Place
9201 Rainier Avenue South




Conveniently located near Lake Washington recreational areas, shopping, public library, and major bus lines

- One-bedroom units
- Private kitchens and baths
- On-site laundry
- Community room

APPLY NOW! Apply in person at PorchLight or online at www.seattlehousing.org. Call 206-239-1737 with questions or to request an application by mail. All Low-Income Public Housing properties maintain waiting lists.

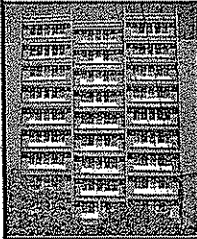
C.



907 N.W. Ballard Way,
Suite 200
Tuesday to Friday
9:30 a.m. – 4:30 p.m.
206-239-1737
www.seattlehousing.org

PorchLight
Community services of
Seattle Housing Authority

International Terrace
202 6th Ave S, in the International District



Conveniently located in Seattle's cultural hub, near Pioneer Square, downtown Seattle, and First Hill; near major bus lines

- One-bedroom units
- Private kitchens and baths
- On-site laundry
- Community room

APPLY NOW! Apply in person at PorchLight or online at www.seattlehousing.org. Call 206-239-1737 with questions or to request an application by mail. All Low-Income Public Housing properties maintain waiting lists.

Attachment B

Article in *PorchLight Insider* e-news, distributed to over 500 service providers.

PorchLight Insider

e-NEWS

Seattle Housing Authority news and resources for social services providers

October 2005, Issue 6

SHA promotes diversity in high-rise buildings

SHA's implementation of its applicant choice policy four years ago has strengthened a tendency for a few public housing high-rises to become "racially-identifiable," which means a building has a higher than average concentration of a single race.

"Approximately 50 to 55 percent of public housing applicants choose which building they want to live in," says Admissions Manager Dennis Hall, "and many times they will choose the community that best reflects their own ethnic or cultural background." While this means greater flexibility for applicants, it also makes it more difficult for SHA to maintain diversity.

In order to address the issue, SHA will implement an Affirmative Fair Housing marketing plan, which includes targeted marketing to certain groups for racially-identifiable buildings.

For example, SHA is making certain ethnic groups are aware of these buildings by placing advertisements in local papers and notifying community and social service agencies that serve these groups.

All applicants, however, will be placed on the waiting lists of their choice, regardless of their race or ethnicity. Applicants still have the ability to choose whether to wait for an opening in one or two buildings or take the next available vacancy in any building.

The following buildings currently have a high proportion of one racial-ethnic group:

International Terrace

202 6th Ave S

International Terrace has a high percentage of residents of Asian descent. *Service providers are encouraged to refer White, Hispanic, Black, Native American applicants to this building.*

Beacon Tower

1311 Massachusetts St

Beacon Tower has a high percentage of residents of Asian descent. *Service providers are encouraged to refer White, Hispanic, Black, Native American applicants to this building.*

Barton Place

9201 Rainier Ave S.

Barton Place has a high percentage of residents of African American or African descent.

Service providers are encouraged to refer White, Hispanic, Asian, and Native American applicants to this building.

To apply

Complete SHA Low-Income Public Housing Pre-application for housing assistance and write the chosen property under the "site-specific waiting list" option.

Get application information online

PorchLight Housing Center

907 NW Ballard Way | Suite 200 | Seattle, WA 98107 | www.seattlehousing.org

Section 8: 206-239-1728

Low Income Public Housing: 206-239-1737

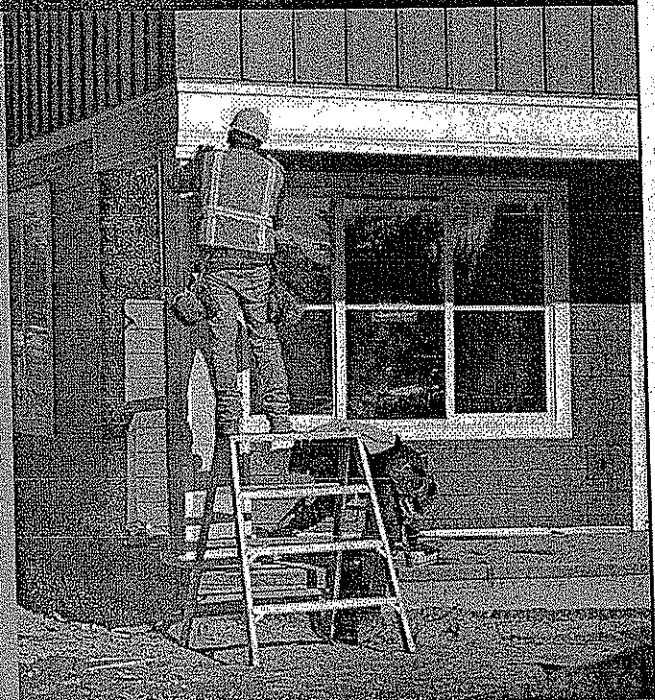
APPENDIX I: SHA'S FIVE-YEAR STRATEGIC PLAN:
REMAINING COMMITTED IN TIMES OF CHANGE

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Remaining committed in times of change

Seattle Housing Authority
STRATEGIC PLAN
2005-2010



Remaining committed in times of change

Our Mission

Our mission is to enhance the Seattle community by creating and sustaining decent, safe, and affordable living environments that foster stability and increase self-sufficiency for people with low incomes.

Our Values

As stewards of the public trust, we pursue our mission and responsibilities in a spirit of service, teamwork and respect. We embrace the values of excellence, collaboration, innovation and appreciation.

Board of Commissioners

Bettylou Valentine, *Chair*
David Bley, *Vice Chair*
Marie Cook
Judith G. Fay
Peter Moy
Jennifer L. Potter
Al Winston

Senior Staff

Tom Tierney, *Executive Director*
Andrew Loflon, *Deputy Executive Director*
Al Levine, *Deputy Executive Director*
Don Ashlock, *Director of Housing Operations*
Ellen Callahan, *Executive Assistant*
James Fearn, *General Counsel*
Virginia Felton, *Director of Communications*
Charles Hayashi, *Director of Human Resources*
Kathy Roseth, *Director of PorchLight Housing Center*
Dick Woo, *Director of Finance and IT*

Change Advisory Team

This group of employees advised on strategic planning and process issues.

Virginia Felton, *Chair and plan editor*
Pat Anardi
Judi Carter
Linda Davis
Dominique Hampton
Al Hoffer
Marcia Johnson
Ellen Kissman, *Plan writer*
Marc Nilsen
Carol Rozumalski
Tricia Smiley
Rebecca Taylor
Stephanie Van Dyke

Design by Kari Sherrodd

Dear Colleagues, Partners and Residents,



The Seattle Housing Authority has an essential mission in our city – to create and sustain housing in Seattle for people with low incomes. We recognize to be a truly great city, Seattle must have affordable housing for people across the income spectrum; we must not price out those who cannot afford high housing costs.

Over the past ten years, we have made significant progress toward this mission. In 1995, we served about 22,500 people – now we provide housing assistance to more than 25,100 and we hope to see that number continue to increase.

We have also seen a significant drop in the support we receive from the federal government. Fortunately, we have been able to produce more revenue at the local level, as a result of rental income from our acquisition of additional housing that we own locally.

In spite of shrinking federal resources, we remain firmly committed to our core mission of housing low-income people. We intend to continue serving those who receive assistance from us now, and we hope to serve more.

To do this, we will need to expand our ability to produce revenue so that we can be less dependent on federal subsidy. We will need to operate more efficiently, and adopt a more entrepreneurial way of doing business.

This strategic plan for the next five years articulates these new directions and lays out strategies for achieving them. The plan was developed in partnership between our board and staff. We look forward to conversations with our partners and stakeholders around these new directions, and to working with the community to achieve this important mission.

Sincerely,

Tom Tierney
Executive Director

Introduction

Since its inception in 1939, the Seattle Housing Authority has served the housing needs of Seattle's low-income citizens. Beginning in 1968, SHA has targeted housing and services primarily to "the poorest of the poor," using the federal public housing and Section 8 programs. Even though SHA is chartered to serve residents with incomes between 0 and 80 percent of area median income (AMI), most residents served by SHA have had extremely low incomes, averaging below 20 percent of AMI.

Throughout the history of federal housing assistance, funding has fluctuated with the political tides. To hold to our mission and honor commitments to those who depend on our housing assistance, we must deal with impending shortfalls by lessening our dependence on federal funding and becoming more efficient.

One way to lessen our dependence on federal funding is to serve more households seeking workforce housing, including retail and administrative workers, teachers, and police officers. These working people are not at the lowest income levels, but they need rents that are more affordable than typically found in the private market. The revenue generated by this housing can provide cross-subsidies to serve SHA's traditional, very poor clientele. This strategic direction broadens the range of housing needs that SHA addresses, but remains consistent with our mission, authority and responsibilities under state law.

SHA must also become more entrepreneurial. As we move in this direction, however, we must explore ways to balance our responsibilities as a public agency, and steward of the public trust, with flexibility and a willingness to take risks that successful entrepreneurial organizations take.

We have a skilled and dedicated staff capable of carrying out this new direction, but changes in

Remaining committed in times of change



Residents moved into the first rental homes at the redeveloped Rainier Vista in Fall 2004.

the organization will continue to be required. This plan defines our goals over the next five years, through 2010. We will use the following terminology to discuss our efforts:

Goals: These are "big picture" outcomes that we will strive for as an organization. In order to achieve our goals, we recognize that they need to be broken down into intermediate steps so that we can work toward achieving them in manageable increments.

Strategies: Strategies help to define how we will approach our goals. They provide further information on how each goal will be interpreted.

Action Steps: These are the most specific components of our plan, and indicate what we will do to achieve our goals. These will be determined for the most part by individual work groups and are only called out in this document in the broadest terms.

In the plan that follows, these components will be indicated as follows:

GOAL (identified as the word spelled in all caps, before a goal statement),
Strategy → (identified with an arrow symbol before a strategy), and
Action Step ■ (indicated by a square bullet before an action step)

Strategic Direction

Remain committed to our mission in times of change.

Background and context

SHA remains committed to our mission and to serving our traditional clientele. Through this strategic direction, we make clear our intention to continue housing at least as many extremely low-income households as we do now, in the face of declining government support. We face the dilemma that extremely low-income households cannot afford a rent that covers the costs of housing them.

Filling this gap requires action on many fronts, among them finding additional, non-federal resources. Some new sources of revenue may include expanding our housing stock to add properties that will yield a profit over time by serving a broader mix of households (still low income and within our statutory authority), using the federal resources we have more efficiently, and supporting residents' self-sufficiency goals to help low-income people increase their incomes and pay more rent until they are able to live in unsubsidized housing.

Finally, we need to increase understanding, both within SHA and in the community, of the changes we believe are necessary to accomplish these goals.

GOAL 1

Increase resources to retain SHA's traditional emphasis on serving extremely low income households.

→ Expand SHA's housing options to also serve the needs of residents across the income spectrum from 30 to 80 percent of area median income. At the same time, continue to serve the same or an increased number of extremely low income residents (0 – 30 percent AMI).

- By 2010, increase the number of affordable housing units owned or managed by SHA by 1,000.
- In order to increase affordable housing options in Seattle, seek out opportunities to acquire, develop and manage housing

affordable to households with incomes between 30 and 80 percent of area median income as well as to households with incomes below 30 percent of AMI.

- Develop mixed-use sites in partnership with other developers.
- Base goals for housing low-income people on real needs in the community by conducting periodic needs assessment.
- Plan well in advance to address anticipated needs.

→ Align agency policies and practices to create a supportive environment for residents, along with an expectation that residents who can do so will become employed and work toward economic self-sufficiency.

- Create incentives for economic self-sufficiency. Using MTW flexibility, adjust the public housing and Section 8 rent policies to strengthen incentives for employment.

- Develop standards for ensuring a percentage of all SHA contracted work includes hiring or training opportunities for SHA residents and/or Section 3 residents or businesses to support resident self-sufficiency and community revitalization.

- Design and implement, if feasible, a pilot program that couples intensive self-sufficiency services with voluntary time-limits on housing assistance.

- Partner with other agencies that assist low-income families in achieving self-sufficiency. Actively cultivate the exchange of non-financial resources among SHA, partner agencies and city departments such as affordable space, grant writing assistance, advocacy and referrals and community building in multi-ethnic and mixed-income communities.

→ Align agency policies and practices to create a supportive environment for residents for whom, due to disability or advanced age, economic self-sufficiency is not a realistic goal.

- Support stability and self-sufficiency for SHA residents by securing appropriate services and revenues to supplement declining federal subsidies.

→ Apply for additional Housing Choice Vouchers at every opportunity.

- Continue to add to SHA's inventory of vouchers through any new programs that become available.

GOAL 2

Continue to provide subsidy to up to 8,620 low income households who depend on SHA's Housing Choice Voucher and Section 8 Moderate Rehabilitation programs for decent, safe and affordable housing (7,861 allocated vouchers plus 760 Mod-Rehab units).

→ Reduce average per voucher cost to the level of funding received from the Office of Housing and Urban Development per voucher, in order to subsidize as many households as possible and honor all project-based commitments.

- Update Section 8 utility allowance to reflect current local consumption data.

- Reduce subsidy levels for individual vouchers by adjusting payment standards, and modifying occupancy standards and rent policies.



The Othello Building at Othello Station is a mixed-use development and is home to the International Community Health Services' Holly Park Medical and Dental Clinic.

→ Project-base Housing Choice Voucher subsidy to support Seattle's continuum of housing opportunities.

- Honor commitments made under all existing contracts for project-based Housing Choice Voucher subsidy.
- Honor commitments to the Sound Families program and the City of Seattle Office of Housing to provide project-based Section 8 subsidy for new Sound Families units and new supportive housing units partially financed by the 2002 Seattle Housing Levy.
- Honor SHA's commitments to replace public housing lost to HOPE VI redevelopment by providing project-based subsidy for units owned or managed by non-profits or SHA.

→ Fully utilize available voucher resources.

- Issue vouchers as needed to meet annual utilization targets.

GOAL 3

Improve understanding of and expand support for SHA's expanding activities and role in the community.

→ Articulate for the broader community how SHA sees its future, why change is necessary and how the broader community can support what Seattle Housing Authority is doing.

- Distribute SHA's strategic plan throughout the community and hold community forums addressing its contents and implications.

- Meet with community leaders and key stakeholders to solicit feedback, answer questions and address concerns.

- By spring 2006, plan and implement a new brand platform in support of this strategy.

→ Implement public information and community relations activities to promote better understanding of SHA's role and responsibilities in the Seattle community.

- Work with partner agencies and through traditional information channels to make information about SHA's strategic directions more readily available and easily understood.

– Strategic Direction

Strive for financial independence.

Background and context

SHA owns or manages over 7,600 housing units in about 500 buildings with an assessed value of over \$627 million. Effective use of these assets can help ensure the long-term availability of affordable housing in safe, livable neighborhoods. SHA and the community also benefit from a highly trained and dedicated work force, as well as strong partnerships among local governments, nonprofits and the private sector. We can build on this base, market our services and partner with others to generate revenue to meet our mission.

GOAL 1

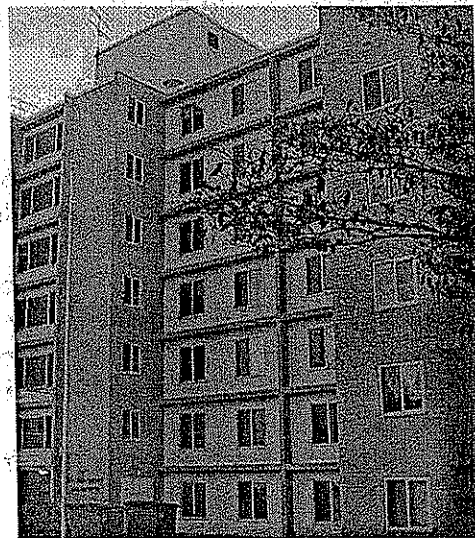
Maximize our effectiveness in achieving our mission by making the best use of our real estate assets, diversifying funding, developing partnerships, expanding our entrepreneurial capabilities and reducing dependence on federal funding.

→ Renovate and fully develop SHA properties to improve management cost-effectiveness and competitiveness in the low-income housing market, strengthen communities and broaden affordable housing options in Seattle.

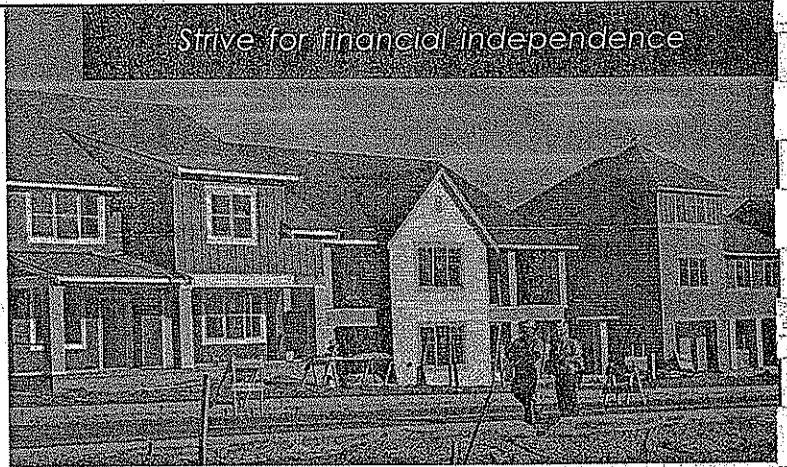
- Complete the redevelopment of NewHolly, Rainier Vista and High Point to renew the housing stock and create safe, vital new neighborhoods. Work with the City of Seattle, Sound Transit and nonprofit and private partners on community revitalization in the vicinity of these communities to protect the public's investment and improve the quality of life.
- Revitalize 22 of SHA's 28 public housing high-rises in order to comprehensively address long-term maintenance needs and renew this 3,000-unit affordable housing stock for the next three decades. Realign organizational structure and train staff to

support the revitalization. Preserve affordability for extremely-low-income households.

- Assess Seattle's long-term needs for housing of this type and, if warranted, develop plans to reposition some of these communities to meet these needs. These might include assisted living, senior housing, smoke-free communities, and transitional or master-leased housing for special needs populations.



Ballard House is one of the 22 Seattle Housing high-rise apartment buildings that will be renovated over the next five years.



The first new rental block at High Point is just the start to the 130 acre redevelopment that will eventually be home to 1,600 households.

- Develop plans and begin implementation to support the long-term viability of high-rises not included in the comprehensive revitalization program: Denny Terrace, Jefferson Terrace, and Bell Tower. Continue implementation of special designations at recently renovated Tri-Court and Westwood Heights.
- At all the high-rises, assess and take advantage of opportunities for additional revenue generation through developing a compatible mix of uses as appropriate (e.g., small commercial spaces or roof-top communications facilities).
- Plan for the possible replacement of Holly Court and the redevelopment of that site.
- Improve performance of the public housing Scattered-Sites portfolio through the sale of approximately 200 units in single-family homes, duplexes and triplexes. Replace these with small-scale, multi-family properties that are well-located, family-friendly and cost-effective to operate.
- Begin to plan for the redevelopment of Yesler Terrace in order to renew obsolete housing and infrastructure. Involve current residents in the planning process and continue to meet their housing needs. Create a redevelopment plan for a well-designed, mixed-income, mixed-use urban neighborhood that relates to its surrounding neighborhoods and leverages the site's value from proximity to downtown and views.

- Examine Seattle Senior Housing Program properties for opportunities to maximize value, e.g., building more units at popular locations, or bringing in compatible commercial or social services where space or development potential permits.

GOAL 2

Undertake revenue generating partnerships, programs and entrepreneurial activities.

- ➔ Decide whether to undertake possible entrepreneurial activities based on standards that include consistency with SHA mission and statutory authority, benefits and risks to SHA, and benefits to the broader community.
- Develop a decision matrix that establishes overall goals, objectives and criteria for new activities and guides SHA decision-making relative to new activities and how they relate to achieving SHA's goals and mission.
- For any entrepreneurial activity being considered, create a business plan that describes upfront costs, staff needs, organization structure, marketing and competitiveness, timelines, revenue generating potential, debt ratios and risk. If the business plan is deemed acceptable, implement.



Public officials and community members cut the ceremonial ribbon for the Seattle Parks and Recreation's Yesler Community Center. Seattle Housing acquired 21 units in the Yesler Terrace area to replace units that were removed for the new construction.

Explore new opportunities for revenue-generating programs or partnerships and market test them for potential practicality.

- Develop and market, as a potential profit center, on-line workflow management and document imaging to serve other housing authorities for Housing Choice Voucher program management and applications and wait list management.
- Provide planning and development services to other governments, neighborhood groups or nonprofits where housing authority legal powers would support revitalization projects including affordable housing. Build on our experience developing and managing mixed-income, mixed-use communities.

- Pursue Community Renewal Agency designation to expand planning and development authority to include activities compatible with, and in addition to, affordable housing.

- Pursue strategic acquisition of residential properties for rehabilitation, repositioning and resale with income restrictions in order to produce revenue for cross-subsidy of low-income housing.

- To take advantage of new zoning provisions for affordable housing in downtown Seattle, enter into partnerships with high-density, high-rise residential developers to include a percentage of affordable units in market-rate properties.

- Provide property maintenance services to other affordable housing providers through Impact Property Services.
- Provide property management services to other affordable housing providers through Impact Property Management.

→ Sustain community services that foster stability and increase self-sufficiency for people with low incomes, in order to: increase rent revenue, reduce property management costs as a result of crime and excess wear and make low-income housing resources available to new households in need as others transition out of subsidized housing.

- Implement fund development strategies identified in the human services funding strategic plan and feasibility study currently underway.

Strategic Direction

Improve process and performance.

Background and Context

Because Seattle Housing Authority is so closely aligned with the federal Department of Housing and Urban Development, a culture of careful attention to regulatory details and bureaucracy has been encouraged. As the agency moves toward greater independence from the federal government and takes on additional entrepreneurial activities, the importance of both flexibility and accountability in management systems grows. We need to emphasize creativity and innovation while continuing to follow management and accounting practices that allow us to meet the demands of the regulatory environment in which we operate.

GOAL 1

Make work processes efficient, transparent, user-friendly, sensible, and aligned with our mission.

→ Seek regulatory flexibility in order to be efficient and effective in carrying out our goals.

- Work with HUD to retain Moving To new Ways (MTW) status indefinitely in order to retain maximum flexibility with respect to federal rules and guidelines. Identify the cost and productivity implications of our MTW agreement expiring in 2006 to make a very strong case for extension. Emphasize the ability to combine federal funds from various programs, tailor public housing and Section 8 policies to meet local needs, and streamline many HUD approval procedures.
- Support housing authority industry efforts to obtain regulatory relief.

→ Align accounting and organizational structures to ensure responsible and cost-effective use of the public and private resources entrusted to SHA, meet commitments to funders, and reduce financial risk.

- Develop a transparent overhead allocation system that equitably distributes reasonable overhead costs to the various housing programs and development projects.
- Consolidate responsibility for project financial management with project managers to increase efficiency and accountability and reduce financial risk. Give project managers a budget to manage, and hold them accountable for the results. Provide project managers necessary responsibility and authority for budget, accounting and purchasing issues on a project-by-project basis to ensure effective project management.

Improve process and performance



Public officials and representatives helped mix soil to commemorate the High Point groundbreaking ceremony.

→ Invest in productivity improvements to further other strategic directions.

- Develop streamlined, transparent and user-friendly budget and accounting systems to enhance general understanding of the availability and use of financial resources.
- Complete implementation of document imaging technology. Ensure seamless integration in the implementation of document imaging and inspection scheduling software. Capture administrative efficiencies promised by all three new technologies; reduce administrative operating costs as productivity gains are achieved.
- Integrate resource and energy conservation in decision-making throughout SHA. Monitor technology improvements in resource conservation and sustainability. Implement cost-effective improvements when maintaining or rehabilitating existing buildings or developing new properties.
- Improve the reliability of IT resources for field staff.

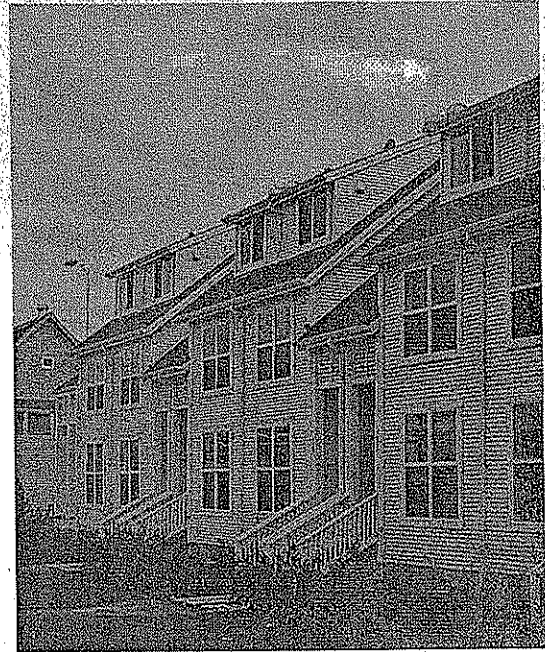
- Develop and implement a comprehensive facilities plan for SHA operating and administrative functions, emphasizing efficiency, cost-effectiveness and extracting maximum value from warehouse and office facilities.
- In making productivity improvements, also focus on improving customer service satisfaction as measured by customer satisfaction surveys (internal and external).



Employees Glenn Lindenmuth and Ken Royce at the start of the work day at SHA's Operations Support Center.

→ Create and maintain a working environment where employees are supported in meeting SHA's expectations and in their commitment to SHA's mission and values.

- Create a supervisory structure that fosters accountability and collaboration across departments and takes into account differences among departments along a spectrum from participatory to authoritative, or from flat/matrix style management to hierarchical.
- Invest in professional development to support other strategic directions.
- Practice community building principles in our work with residents, partners, staff and stakeholders. These principles and practices are based on promoting networks and partnerships and include the following:
 - ✓ Build on community strengths.
 - ✓ Forge partnerships through collaboration.
 - ✓ Value cultural strengths and racial equity.
 - ✓ Foster broad community participation.
 - ✓ Honor diversity.
 - ✓ Support families, children, and seniors.
 - ✓ Integrate community development and human service strategies.



The rental housing development in NewHolly's third and final phase, Othello Station, was completed in Spring 2005.

GOAL 2

Provide salaries in ranges that are comparable to those of employees who hold similar positions in comparable organizations in the Puget Sound area.

- Maintain a classification and compensation program that is periodically updated to keep current with the regional job market.
 - For non-represented employees, develop and implement a performance based compensation program that will provide the flexibility to reward employees based on their performance and competitive position within the market.
 - For represented employees, provide a compensation program that is competitive within the Puget Sound area workforce.

Strategic Direction

Sound business practices

Background and context

Through our strategic planning process, we have identified a number of business practices that seem both logical and desirable as part of the business plan of a high-performing housing agency. While they are important to our success, they may not be specifically strategic. That is, they are important, but they do not speak directly to the actions that SHA as an agency needs to take to respond to the specific opportunities and threats we are currently facing. However, it is important to articulate these best practices and refer to them frequently in order to carry them out and be successful in our work.

GOAL

Exemplify the qualities of a superior property management organization with regard to maintenance standards, tenant relations, leasing, communication and financial performance.

- Identify and communicate among employees and customers the elements of good property management. Monitor progress toward and take actions to meet performance goals.
- Define what "superior property management" means for each portfolio in terms of performance standards and goals for the portfolio, including the following:
 - ✓ Condition of housing stock, including building systems and curb appeal.
 - ✓ Maximizing occupancy by minimizing vacancy loss and turnover time.
 - ✓ Preventive maintenance standards and programs.
 - ✓ Community safety and livability.
- Create cohesive project and property management structures that enable SHA to build on its reputation as a responsible, innovative and trustworthy housing developer and manager.

GOAL

Exemplify the qualities of a superior nonprofit organized for public benefit. Retain a focus on effective, accessible services and community building practices that increase the stability and self-sufficiency of SHA residents.

- Develop new partnerships and enhance existing ones with social service providers and state and local government to increase access to resources for SHA residents.
- Define with partners (including the City of Seattle Human Services Department and Department of Neighborhoods) types and levels of services and the community building engagements healthy communities need.
- Focus on opportunities for residents in the areas of housing, business, job, career, and personal development.
- Ensure public housing residents and community members access to The Job Connection resources.



Homes for sale at Othello Station are being built by Polygon Northwest and Bennett-Sherman, LLC.

GOAL

Administer SHA's rent subsidy program with specific focus on program integrity, participant relations, owner relations, responsiveness to community needs, and financial performance.

→ Enhance customer service to ensure continued participation and community support.

- Emphasize partnerships with specialized housing providers and landlords to open doors for Section 8 applicants.
- Streamline inspection, contracting and payment procedures to assure continued landlord participation even when market rents increase.
- Provide applicants and participants with clear and useful information about program opportunities and obligations, in multiple languages as appropriate.
- Continue to cultivate mutually respectful relationships with social service providers and advocates in order to maximize housing opportunities for mutual clients and self-sufficiency for HCV voucher holders.

→ Ensure program integrity and good stewardship of scarce housing subsidy funds.

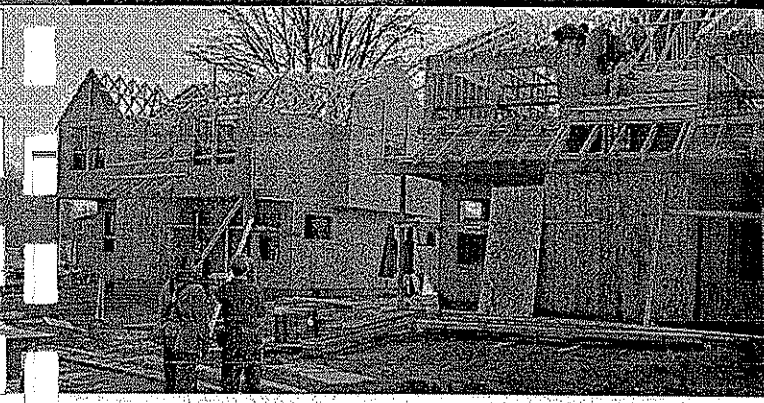
- Demand accountability and program compliance by participants and landlords.
- Enact policies and procedures that discourage income manipulation by program participants.
- Confront and pursue fraud.

GOAL

Exemplify the qualities of a well-run public agency – efficiency, fairness and integrity.

→ Be a good steward of public resources.

- Maintain effective and efficient internal controls necessary to safeguard the financial and physical assets of the agency. Ensure fiscal and programmatic compliance with applicable laws and regulations.
- Provide timely and accurate financial reporting for SHA and its affiliated entities as evidenced by clean financial audit opinions and the absence of audit findings related to financial reporting.



Habitat for Humanity continues to build affordable homes at New Holly and will soon begin building homes at Rainier Vista and North Point.

→ Promote values and practices in support of fairness among people of all races and classes.

- Work in alignment with the City of Seattle and other agencies at the forefront of institutional change to end racism and other forms of discrimination.
- As part of the overall mission, make SHA services, housing, and workplace more accessible to and supportive of people of color, low-income people, limited English speaking and other disadvantaged groups.

GOAL

Focus on internal community building.

→ Support staff development.

- Identify and acknowledge areas where staff needs more support and resources, and offer cross-team assistance.
- Establish a process for career development in order to support employees' career goals.
- Define expectations of professional behavior and conduct at all organizational levels.

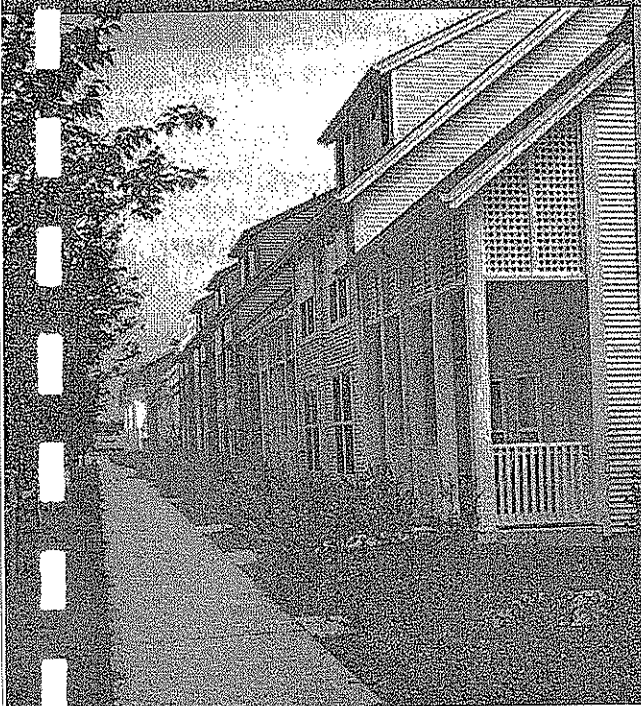
→ Encourage informal discussion and exchange of ideas across all agency departments and levels.

- Create a monthly brown-bag lunch for staff at different levels from different divisions (e.g. all administrative staff) to share ideas, challenges.
- Publicize resident success stories to inspire staff.

→ Celebrate the accomplishments, appreciate the successes and promote the value of the work staff do.

- Schedule regular staff meetings with potluck lunches to include all workers within the group.
- Celebrate milestones and accomplishments during the staff meetings.
- Recognize staff contributions in a tangible way.

Remaining committed in times of change



For more information about Seattle Housing Authority's Five-Year Strategic Plan, contact the SHA Communications Office at (206) 615-3506.

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APPENDIX J: RECOMMENDATIONS FROM HUMAN SERVICES FUNDING STRATEGIC PLAN STUDY

Philanthropic Funding Conclusion and Recommendations

At the onset of this Human Services Funding Strategic Plan Study, SHA's primary goal was to ensure SHA residents receive the human services necessary to support them on their road to self-sufficiency.

The Collins Group tested the potential for establishing sustainable funds for human services programming in SHA communities. TCG *did not find evidence* to support SHA embarking upon a \$20 million fundraising campaign but did find significant support for SHA to take a broader role in addressing the human services funding gap in Seattle and King County with a focus on self-sufficiency initiatives. To that end:

Recommendations

The Collins Group recommends SHA leverage its organizational strength by convening a Research and Innovation Incubator¹ to determine, document and quantify "what works" in creating self-sufficiency among SHA's residents.

The following paragraphs outline TCG's recommendation for the Research and Innovation Incubator, defines why the Incubator is needed, what role SHA should play and immediate next steps.

¹ The term "Research and Innovation Incubator" is used for illustrative purposes only.

Research and Innovation Incubator description

The Incubator is an initiative to determine and build best practices in self-sufficiency. Applied research will be conducted by SHA and SHA service providers with advisory input from academia, funders, consultants, or other institutes.

What will the Research and Innovation Incubator do?

- **FOCUS ON SELF-SUFFICIENCY:** Based upon findings from the Human Services Strategic Plan Study, TCG recommends the Incubator focus on best practices in self-sufficiency although ultimately, the final focus can only be determined by SHA and the Incubator itself.
- **DEFINE:** The Incubator will define what "self-sufficiency" means, how it is measured and intended outcomes.
- **INDICATORS:** The Incubator will determine the most significant factors influencing self-sufficiency goals through hypothesis testing and applied research.
- **FOCUS ON APPLIED RESEARCH:** The Incubator will focus on applied research, using the actual work and experience of SHA's partner providers to demonstrate knowledge of best practices. The Incubator will be advised by academia to frame and support the applied research. The rigor of academia will help with replication and credibility but should not drive research content.

Why is a Research and Innovation Incubator needed?

Significant interest exists for coordinated, comprehensive, and documented information on what works and what doesn't on the path

to self-sufficiency. TCG's study confirmed that self-sufficiency and keeping families out of poverty/homelessness are issues of serious concern within King County and Seattle, with two high profile initiatives in the works already. These initiatives, along with foundations, service providers, public agencies and private organizations, are in need of real world experience on what works and what doesn't.

Why SHA?

SHA is positioned to take a significant role in a coordinated effort on self-sufficiency applied research for four reasons:

1. **POWER AND INFLUENCE:** As the housing provider for over 24,000 Seattle residents, SHA is very well-respected in the external community, particularly in comparison to its human service providers who individually lack resources and the ability to address the broader market. An organization the size of SHA has the ability to coordinate research and service providers across a wide range of neighborhoods to deliver the most comprehensive data available in the market.
2. **STRONG RELATIONSHIPS:** SHA has successful partnerships with some of Seattle's most respected human service providers. SHA's partner agencies value SHA as a "true partner" and a "good housekeeping seal of approval" that leverages their ability to secure funding in the marketplace.
3. **MARKET KNOWLEDGE:** As a landlord working day in and day out with its residents, SHA has a unique, intimate understanding of the realities of what it takes to "make it." This knowledge, paired with SHA's ability to measure outcomes by working in defined geographic communities, allows SHA to tailor services when and where they are needed most.

4. **LEADERSHIP POSITION:** SHA is viewed as a quasi-public agency with a responsibility to take a leadership role in this type of effort. Assuming SHA desires stronger partnerships with its service providers, a move to provide its service providers with solid data will have the greatest long-term impact on both the providers and the individuals they serve.

How should the Research and Innovation Incubator be organized?

- **CENTRAL DRIVER:** The Research and Innovation Incubator will require one responsible party that drives the inputs and outputs; coordinating all research internally as well as the conveyance of outcomes externally. TCG recommends this central driver, or Leader of the Research and Innovation Incubator, be headquartered within SHA for neutrality, access to resources, and credibility.
- **FULLY SUPPORTED BY SHA LEADERSHIP:** The Research and Innovation Incubator must be fully supported by SHA's top leadership and Board of Commissioners for internal and external credibility and access to resources.
- **ADVISED BY AN INNOVATIVE AND COMMITTED GROUP:** The work of the Research and Innovation Incubator will be guided by human service providers, academia, community foundations, private philanthropists, and other interested institutions.

How will it work?

The Research and Innovation Incubator will first determine what self-sufficiency indicators need to be measured that will move people out of poverty and into self-sufficiency over time. Once that is agreed upon, SHA needs to look at the mix of services in its housing communities (and those services outside the community that residents are accessing) to see whether or not there is a clear

relationship between what is being provided and the effect of these services on desired outcomes.

Self-sufficiency indicators will be tracked, or further applied research will be conducted, to ensure services are meeting desired outcomes. The outcomes of such efforts will be communicated within the Incubator and to interested parties to increase the effectiveness of human service provision and increase the potential for human services funding.

What are the expected outcomes of the Incubator?

Expected outcomes of the Research and Innovation Incubator include:

1. **INCREASED FUNDING:** A complete and on-going set of data outlining the most effective services to move residents out of poverty will be made available to SHA and its providers. Providers will be able to use this data to submit more effective funding proposals resulting in funding to increase the depth or breadth of programs supported.
2. **PUBLIC FUNDING:** SHA can use Incubator outcomes to inform and leverage its public funding requests.
3. **SELF-SUFFICIENCY:** The Incubator will increase the efficacy of self-sufficiency services. If the services being provided (funded by SHA or others) do not have a direct effect on the desired self-sufficiency outcomes, SHA may need to fund other services or work toward bringing other types of services to its communities. The outcome of this process may change the services mix to targeted communities where self-sufficiency outcomes will be measured. With increased funding and clear self-sufficiency impact services, ultimately, more residents will move into self-sufficiency, freeing up subsidized housing units for other needy families.

4. **INNOVATION:** The Incubator can help to position SHA's human services division as a leader in the community. Internally, the Incubator can elevate the credibility of the human services department by substantiating the benefits of human service provision on housing communities.

5. **COMMUNITY BENEFIT:** With data that is quantifiable, objective and replicable, community leaders, foundations and others can use the Incubator's outcomes for new initiatives and guide best practices for future use in the broader community.

How will outcomes and the Research and Innovation Incubator work be shared?

The Research and Innovation Incubator is only valuable if captured data is shared in appropriate formats and to the necessary audiences. The Incubator will work to set up a proactive communication network to share results of its efforts. An internal website, or 'chat room,' for instance, may allow for communication to flow freely among service providers. A focused, on-going effort to communicate results will need to be established.

How will the Research and Innovation Incubator be funded?

TCG recommends SHA commit initial resources to launch preliminary activities of the Research and Innovation Incubator. The Incubator would develop the initial concept in partnership with foundations, perhaps using Philanthropy Northwest as a convener, and seek seed-funding from an area foundation such as the Bill and Melinda Gates Foundation, Paul Allen Foundation, the Seattle Foundation or individual philanthropists. On-going funding would come through grant applications to local, regional, and national foundations, corporations, or individual philanthropists.

To succeed at securing external funding, the Incubator will need to maintain an open dialogue with study participants including area foundations, corporations, and individual philanthropists.

Public Funding Study & Recommendations

Overview

To complement the work of the Collins Group regarding the potential of philanthropic support, the Cedar River Group set out to explore potential strategies to secure public funding to support SHA's human services programs. Our efforts were based upon the following hypothesis:

- SHA's mission is evolving from "providing housing for the poor" to "building healthy communities that create new opportunities for the poor."
- In building new communities through the HOPE VI program, SHA is creating substantial new revenue sources for local and state government.
- These new revenue sources include:
 - Sales and Business and Occupations taxes paid during construction;
 - New property tax revenue derived from for-sale units on property that had been tax-exempt;
 - New property tax revenue derived from increased property values in the area surrounding the new communities;
 - Taxes paid by SHA residents who are successful in moving from TANF to permanent employment.
- In addition to these new revenues, there are "avoided costs" to state and local government that result from SHA's community-building. These include reduced

TANF expenditures for those SHA helps to move from public assistance to employment.

- The value of these new revenues and avoided costs are substantial and can be well documented.
- As long as the overall health of the community is preserved, the new value will be preserved and continue to grow.
- If the health of the community is compromised by neglect of any kind, the values described above diminish, become stagnant, or decline, and formerly avoided costs recur.
- Preservation of the value described above is dependent, in part, on the effective delivery of human services that are essential to maintaining healthy communities.
- The effective delivery of human services can be assured through the creation of a sustaining fund (or funds) to provide those services over time.
- Adequate sustaining funds can be built, at least in part, by dedicating a portion of the initial value described above for that purpose.
- Other contributions to the Fund(s) can be attracted to match the public commitment of a portion of the value described above.

Methodology

To test the theory, the Cedar River Group attempted to document the new revenue and avoided costs created by the HOPE VI projects at New Holly, Rainier Vista, and High Point. Our plan was to carry out the following steps:

- Determine the actual sales tax and B&O taxes paid during construction of the projects by examining SHA records;
- Determine the magnitude of the new property taxes created by the movement of for-

sale units onto the tax rolls by gathering data from SHA and the County Assessor;

- Estimate the new value derived from the increase in property values of homes in the areas surrounding HOPE VI projects at New Holly and Rainier Vista by examining two studies that had previously been commissioned by SHA (Hebert and Lamb Studies);
- Estimate the avoided costs to the State which result as residents move from TANF to work by examining State reports and budgets;
- Estimate the total value of the new revenue various jurisdictions by applying the appropriate rates of distribution to the revenue sources identified.

These efforts proved to be more difficult than we had anticipated, for several reasons. First, we learned that the data systems SHA uses for managing their construction projects are not set up to capture the sales and B&O tax revenues paid in the course of the construction. Consequently, the information could only be gathered through a time-consuming hand search of change orders conducted by SHA staff. Although they made a Herculean effort, they were not able to gather the data on all phases of the HOPE VI construction. Second, the Hebert and Lamb studies proved to be far from definitive in terms of measuring the property tax increases in the areas surrounding the HOPE VI projects. While they contained very large estimates of those increases, the accuracy of the data could not be confirmed within the scope of this project. Third, when we developed another method to estimate the trend in property values in surrounding neighborhoods, we found that the data prior to 1997 was stored in County Archive and could only be examined in person and by hand. In spite of these difficulties, we were able to successfully test our hypothesis.

Major Findings

1. SHA's HOPE VI projects create a significant amount of new revenue for State and local governments. One-time sources include:

- Sales taxes on construction during New Holly Phase III, Rainier Vista Phase I, and High Point Phase I totaled \$3,082,038 (excluding infrastructure).
- Business and occupations taxes on rental housing construction during Rainier Vista Phase I totaled \$310,420.

On-going sources included:

- Property taxes generated by the for-sale homes in New Holly Phases II and III, Rainier Vista Phase I and High Point Phase I provided a tax windfall of \$2,367,106 per year.
- The rate of increase in property values in the Assessment Areas surrounding New Holly and Rainier Vista ranked fifth among the fourteen Seattle Assessment Areas, suggesting that the projects are having a positive impact on the growth of property values beyond their borders. The methodology for each of these estimates is described in the appendices.

2. SHA's employment services programs are generating both avoided costs and new revenue for the State.

- Savings from reduced TANF expenditures from placements in 2004 totaled \$686,842.
- Additional sales taxes paid as a result of the increased incomes of SHA participants in 2004 is estimated to be \$18,497 per year.

3. The financial benefits we have been able to document thus far are only the "tip of the iceberg."

- Additional sales and B&O tax revenue was created during the early phases of HOPE VI construction that was not captured in SHA's data system.
- Future phases of construction will yield additional revenue in each category.
- Increases in the property values in the areas surrounding the projects can be expected to continue to increase as the results of the HOPE VI projects become more certain.
- Estimates of the value of the avoided costs to the State from the success of SHA's employment services are very conservative, and will increase if SHA's employment services are adequately funded.

Major Recommendations

1. Adjust SHA record keeping systems to capture the full value of the public revenue created by SHA's project.
2. Begin a dialogue with State and local policy makers to increase their understanding of the economic returns being generated by SHA's HOPE VI projects.
3. Continue on-going support for SHA's employment programs from the State and the City of Seattle in proportion to the financial benefits they are deriving from the projects.
4. Seek support for the development of research and innovation capacity within SHA to take advantage of its unique potential as a laboratory for discovering best practices in housing and human services. Current examples of research that illustrates this potential are:

- **Healthy Homes at High Point** - \$2 million in federal funding to create housing units that are especially designed for families with children with severe asthma and other serious respiratory problems, and study the impact on their health. SHA was selected for the grant because the large number of "healthy homes" it is willing to create provides a sufficiently large sample to produce valid scientific data.

- **Cost/Benefit Study of Green Building Techniques** --- The Enterprise Foundation has tentatively agreed to provide financial support to calculate the comparative costs for energy, water, and other utilities at Yesler Terrace, New Holly, and High Point. The Foundation is interested in working with SHA because it has three large communities with similar populations living in units with very different conservation methods in place.